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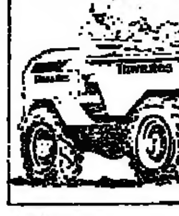

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NEWS SUMMARY

GENERAL

70 freed from stranded train

A helicopter rescued 70 passengers who were marooned yesterday in a train snowbound in Scotland since Saturday afternoon. The passengers, including a man with a broken leg, huddled into one coach for warmth.

Sixteen people stranded in their cars, who took shelter in a bus caught in a drift at the Ord of Caithness, were picked up by helicopter. A man was found dead after leaving his car to walk to safety near Leys, four miles from Inverness. In Glencoe, 80 people, most of them skiers, faced a new ordeal in an hotel after being rescued from their cars: the hotel is running out of food and water and the electricity has failed.

The air search for missing motorists was called off as darkness fell, but ground teams were still trying to reach motorists trapped in 15 foot drifts near Caithness.

The north of England and Wales were hit by snow and the West Country suffered gales.

Abroad, snowstorms in Switzerland cut Alpine rail links and marooned a trans-Europe express. Thirty tons of emergency food supplies were flown into snowbound Cincinnati, Ohio, in America's mid-West. At least 12 people were reported to have died as torrential rain flooded large areas around Pretoria, capital of South Africa. **To-day's weather Back Page**

Cities may get powers back

The Prime Minister has appointed a group of Ministers within the Cabinet to co-ordinate plans for giving back to cities responsibilities lost under the 1974 Conservative local government reorganisation. **Page 5**

More than 500 churches shut

In the last nine years 562 Church of England churches have been declared redundant. Of these, 253 have been put to other uses, 126 have been preserved because of their historic or architectural importance and 183 have been demolished, the Church Commissioners said.

Rhodesia pact criticised

Dr. David Owen, the Foreign Secretary, and Mr. Andy Young, American Ambassador to the UN, sharply criticised moves towards a *Rhodesian internal* settlement as they left Heathrow for Malta for talks with the Patriotic Front nationalist alliance. **Back Page**

Scots threat

Leaders of the Scottish National Party are threatening to vote against the entire devolution Bill at the third reading stage if it contains a "loaded" referendum clause. **Back Page**

Briefly . . .

Bill to ban compulsory retirement on age grounds below the age of 70 is to be *introduced* to-morrow in the Commons.

Early photographs or drawings of Dove Cottage, Wordsworth's house in Grasmere, are being sought by the trustees to restore it.

Thousands of rabbits and rats are to be slaughtered this week because they are endangering drains and waterways in Lincolnshire.

Law should allow doctors to help incurable patients to die peacefully, a Church of Scotland minister said.

Clairvoyants have written to the police offering their services in the hunt for Lester Chapman, 8, missing from his home.

Carlos Reutemann of Argentina won the Brazilian formula one grand prix motor race in a Ferrari. **Sports reports, Page 10**

BUSINESS

Campaign to boost industrial strategy

● **THE GOVERNMENT** is to launch a big publicity campaign in industry to persuade all sectors to go along with its industrial strategy plans. Companies will be asked to adapt their corporate planning and union leaders and employees will be urged to co-operate in productivity improvements.

The Prime Minister will chair a meeting of the National Economic Development Council this week at which some of the Government's new industrial aid schemes will be unveiled.

The CBI will stress that they support the communications exercise, but are not prepared to go further towards formalised planning discussions. **Back Page**

● **OIL COMPANIES** claim that they could lose considerably if they are forced to cut back exports of North Sea oil in favour of U.K. refineries. Trade union leaders have told the companies and the Government they want at least two-thirds of North Sea crude refined in the U.K. **Page 4.**

Over-capacity in European refineries is causing the EEC Commission anxiety, and it is preparing measures to restrict oil refinery expansion and penalise companies or countries which ignore its guidelines. **Back Page**

● **BNOC** would lose many of its roles under a Conservative Government, the Shadow Energy spokesman, Mr. Tom King, has said. The Conservatives see *BNOC's role as that of adviser*, monitoring offshore development issues. **Page 4**

● **SUNDAY TELEGRAPH** failed to appear for the second week running because of a SOGAT dispute. Journalists on provincial and local newspapers are due to begin industrial action to-day following breakdown of pay talks. **Page 3**

● **BAHRAIN**, Qatar and the United Arab Emirates revalued their currencies at the week-end against the dollar by between 0.5 per cent. and 2 per cent. **Page 2**

Alfred Herbert seeks aid

● **ALFRED HERBERT** is to ask the National Enterprise Board to provide several millions of pounds for new investment. The company was rescued two years ago by the Government, and in the first half of last year made a profit, after five years of losses. **Back Page**

● **BSC's** chairman, Sir Charles Villiers, will appear before the Commons Select Committee on Nationalised Industries to give more details of how the corporation's financial situation deteriorated last year. Ministers are worried, however, that their plans—not yet finalised—for rescuing the steel industry will be circulated in and outside the Commons and provoke hostile reaction from the unions. **Page 4**

Ships for stockpile

● **BRITISH SHIPBUILDERS** is considering building offshore patrol vessels for stock, as part of its strategy to dominate the naval market, estimated to be worth up to £1bn. in the next ten years. **Page 25**

● **RATE** of increase in the cost of the Financial Times grocery basket dropped this month after sharp rises in the previous two. The January price index, helped by the High Street prices war, rose only 1.91 points to 268.33. **Page 7**

● **BARCLAYCARD** has been given a deadline of mid-February to resolve its long-running dispute with the Eurocheque international cheque guarantee system. At present Barclaycards have a dual role—that of credit card and cheque guarantee card—and West German and Benelux banks want the dual function ended. **Back Page**

Leyland expected to scrap £100m. modernisation plan

BY OUR INDUSTRIAL STAFF

Leyland Cars' £100m. foundry modernisation programme is likely to be the main casualty of the review of capital spending initiated by Mr. Michael Edwardes, the new British Leyland chairman.

The company is determined to keep a full model range from *the Mini through to the luxury* Jaguar, but a fundamental reassessment of projects seems certain to lead to further spending cuts.

Ambitious plans for the proposed new middle range car, the LC10, have been trimmed. Two derivatives of the basic model, the LC11 and LC12 are likely to be shelved, at least until the company can be put on a stronger financial basis.

Spending on the project, the replacement for the Allegro and Marina, is nevertheless expected to be far higher than the £250m. allocated for the proposed new small car, the ADO 88.

The project review has been prompted by the lamentable performance of the cars group in the past three years, and by forecasts which suggest Leyland will average little more than a 25 per cent. share of the U.K. market over the next five years.

The foundry modernisation and expansion programme had already been delayed, partly because of objections from the National Enterprise Board, Leyland's major shareholders, about the level of spending.

The company now seems likely to cut expenditure by more than half by dropping plans to build a ferrous factory at Wellingborough and an aluminium factory at Leeds.

One of the principal concerns of Mr. Edwardes—who will be outlining his plans for the future of the group to union leaders and management in Birmingham on Wednesday—will be to launch the ADO 88 and the LC10 as quickly as possible.

The decision to make styling changes to the small car will now *make it difficult to get the* vehicle on to the market until well into 1980. Pressure will also be on to achieve the planned introduction date of 1982 for the middle range car.

In the short term, to reduce its vulnerability to competition, Leyland is likely to push through facelifts of its family saloons, particularly the Marina and Princess, which are due for radical styling changes.

Shortfall

One of the main reasons behind *the economy* drive has been Leyland Cars' failure to generate as much money internally as was envisaged at the time of the Government-backed rescue three years ago.

Because of this shortfall, Mr. Edwardes now accepts that the group as a whole will have to ask the Government for another injection of money in the shape of up to £400m. worth of new equity.

This request is a radical change from the original proposals of Lord Ryder, the architect of the rescue plan, who foresaw Leyland being financed almost exclusively by loans after its *initial £200m.* equity-raising exercise in 1975.

Leyland hopes to keep its total call on Government finance, including its equity requirement and further loans, to within the *broad sum of the £850m.* which still remains of the figure which the Government was committed *to provide the company with the Ryder proposals.*

But it also has a contingency plan to ask for more State funds if its performance improves sufficiently to justify further expenditure.

Under the Edwardes proposals to go to the NEB shortly, and the Department of Industry later in the month, investment is being re-phased so that the heaviest spending comes in the 1980s.

Meanwhile, anxiety persists among Leyland managers over organisational changes which Mr. Edwardes is planning.

These are thought to include the disappearance of Leyland International in its present form and the return of overseas marketing responsibilities to Austin Morris, Jaguar-Rover-Triumph, and Truck and Bus.

However, it has been argued that this could seriously weaken Leyland's position in certain territories where the ability of a single marketing organisation to offer a full range of vehicles is an important advantage, especially in selling to Governments.

Some compromise solution seems likely whereby the benefits of an integrated marketing approach would not be lost, but the issue illustrates the practical *problems involved in Mr. Edwardes's* decentralisation plans.

Unscrambling Leyland Page 12

Growth rate may fall short of forecast

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE IMPROVEMENT in the rate of economic growth this year might fall short of the increase forecast by the Treasury last autumn unless further fiscal action is taken.

This is the latest assessment of the leading forecasting bodies outside the Government, including the London Business School and the National Institute.

Senior officials in Whitehall are known to be concerned about the adverse impact of the slow growth of world trade and the rise in sterling on the expansion of exports and output later this year and next year.

This has undermined some of the earlier projections and will be reflected in new official forecasts now being prepared.

Consequently the main impact of the large tax cuts expected in the budget might be merely to ensure that economic growth can be sustained at about the previously projected rate of 3½ per cent., rather than to provide a boost to a significantly higher rate of expansion.

It is also recognised in Whitehall that it would be difficult for the economy to grow much more than 4 per cent. a year at present in view of trade, inflation and productivity constraints.

Mr. Denis Healey, the Chancellor of the Exchequer, is receiving Budget submissions from the Treasury. No date has been fixed but the Prime Minister referred to an "April Budget" in his Bristol speech on Saturday.

Last October the Treasury forecast a 3½ per cent. rise in real Gross Domestic Product between the second halves of last year and this year, following a negligible increase last year. The hope is that this should be sufficient to stop the rise in unemployment.

There is no dispute that the economy is recovering, but the London Business School believes growth is unlikely to be more than 2-2½ per cent.

Injection

Two months ago the National Institute projected a rise in Gross Domestic Product of 3½ per cent. in the year to the second half of 1978, but this assumed a £1bn. tax cut this spring. On unchanged policies the rise would be smaller and changes since November would tend to depress activity.

City stockbrokers Phillips and Drew have projected a growth rate of 3½ per cent. between the second halves of this year and next year, slowing down in early 1979, even after assuming a net £2.5bn. injection in the Budget. There are, however, several more bullish forecasts.

The changes in most forecasts since last autumn involve a downgrading of the expected rise in exports and investment with only a partial offset from more buoyant personal consumption. The substantial under-spending in the public sector has added a further uncertainty.

Last October the Treasury publicly assumed a 10 per cent. rise in earnings in the current pay round in its forecasts. Its latest internal estimate is a 12-14 per cent. rise. While this implies a sharper increase in consumer spending than previously forecast, a significant part of this might leak out in the form of higher imports.

On the other side, the earlier Treasury assumption of a 9 per cent. rise in world trade in manufactured goods this year contrasts with recent estimates of nearer 5½-6 per cent.

The favourable price implications of the rise in sterling should not significantly affect the current account surplus this year, but the unfavourable volume effects and the slow growth of world trade are producing some fairly pessimistic projections for the current account from the summer of 1979 onwards.

Lombard, Page 10

Sadat to warn Carter on threat to Mideast peace initiative

BY ROGER MATTHEWS CAIRO, Jan. 29.

PRESIDENT Sadat of Egypt will tell U.S. and Western European leaders that his Middle East peace initiative is in grave danger of collapsing unless Israel can be persuaded to adopt a more flexible approach.

This is understood to be the main message he will take with him on a seven-nation tour which starts on Thursday. He will visit Morocco, the U.S., the U.K., West Germany, Austria, Romania and France.

It was emphasised here to-day that despite reports of progress from Jerusalem on the behind-the-scenes consultations and the Israeli Cabinet's decision to resume the joint military committee talks, the two sides remain a long way apart on the fundamental issues—total Israeli withdrawal from occupied territories and the rights of the Palestinians to self-determination.

Mr Sadat, said by people who have seen him in the past couple of days to be verging on despondency, will seek a pledge from the U.S. that it will use all methods to exert pressure on the Israeli Cabinet and in particular Mr. Menahem Begin, Israel's Prime Minister.

The Egyptian leader will receive a report from Mr. Alfred Atherton, the U.S. Assistant Secretary of State, in the next two days. Mr. Atherton is due to arrive here to-morrow after several days of talks with Israeli leaders and a week-end meeting with King Hussein of Jordan.

Officials here will be looking for confirmation of their views that Mr. Begin is personally responsible for the degree of Israeli "intransigence" which has been experienced.

Encouraged

Mr. Sadat will raise with *President* Carter his request for arms supplies equal to those given to Israel, in particular the question of the advanced F-15 warplane. He is expected to address the Congressional Foreign Relations Committee in an effort to capitalise on the surge in his popularity following his visit to Jerusalem.

Officials in Cairo have been encouraged by suggestions that the powerful Jewish lobby in the U.S. is on the defensive.

The statement from Iraq last night that it would not attend the so-called anti-Sadat summit of "steadfast" States in Algiers next Thursday and Friday has come as further encouragement to the Egyptian regime.

David Bell writes from Washington: President Sadat will spend at least two days of his U.S. visit at the Presidential retreat at Camp David in Maryland.

Officials said this would enable President Carter and Mr. Sadat to review "in peace and quiet" the next stage in the Middle East peace negotiations and would give the U.S. a much better idea of Mr. Sadat's long term strategy and intentions.

David Lennon writes from Tel Aviv: The Israeli *Cabinet* decided to-day to send the delegation back to Cairo this week to resume the military talks with Egypt on the possible withdrawal of Israeli forces from the Sinai.

Israeli officials remain optimistic about the prospects of renewing the suspended political committee talks. At the same time they say Israel has had no response from Egypt to proposals for the compromise wording of the Palestinian clause in the proposed Egypt-Israel declaration of principles.

Iraq problem Page 2

Airco still looking for rival bidder

By Stewart Fleming

NEW YORK Jan. 29

AIRCO, the U.S. industrial gases producer, is expected to re-affirm this week that it is still looking for a rival bidder to BOC International, in spite of BOC's announcement on Friday that it will not press its bid in the face of opposition from Airco's Board.

Last week, BOC announced an overwhelming response to its $43-a-share offer for the 1.8m. shares it needed to increase its stake in Airco from 34 per cent. to 49 per cent.

Because of this response, BOC said it was asking the Airco board to waive a previous agreement and allow BOC to bid a total of $260m. for the outstanding 51 per cent. of Airco.

On Thursday night, Airco made it clear, following an intense Board meeting, that it was fiercely opposed to the BOC proposals to go for full control at $43 a share. On Friday, BOC said it was withdrawing the proposal in view of the Airco board's opposition.

Neither side, it seems, expects this to be the end of the affair, however. BOC's retreat has not soothed the Airco Board's anxieties. BOC's move is seen as a tactical decision in response to the pressure from Airco.

Recognise

For this reason, Airco is *expected to make it clear that* it is continuing with its search for a third party to make a rival bid and to announce that it has hired investment bankers to help in the search.

Both companies seem to recognise that the antagonisms fostered by last week's bitter arguments cannot simply be forgotten, particularly if BOC's successful tender offer to increase its holding in Airco to 49 per cent. stands.

In the event that BOC's position is strengthened, both Mr. George Dillon and Mr. Richard Giordano, Airco's chairman and president and chief executive, might expect to come under pressure to resign.

Both men have underlined their opposition to BOC by announcing their resignation from the BOC Board.

It is accepted, however, that the critical issue will be whether Airco can find a third party ready to launch a counter-bid to BOC in the face of BOC's powerful share holding in the company.

RAIL . . . GAS . . . STEEL . . . SHIPS
PETROL . . . POWER . . . COAL . . .
ENGINEERING . . .

Wage policy faces week of challenges

BY ALAN PIKE, LABOUR CORRESPONDENT

THE 10 per cent. pay guidelines will this week be exposed to some of the most concentrated bargaining of the annual wage round. Most of the pressure *will come from public sector* unions.

Pay negotiations on behalf of groups including power workers, miners and manual workers in the financially-troubled steel industry will take place in the next few days against a background of threatened industrial action by oil tanker drivers.

Timetable

The timetable for a week in which the future of the pay guidelines will come into sharp focus includes:

TUESDAY: Rail unions meet British Rail to seek substantial wage increases from April;

Representatives of 40,000 gas workers who have rejected an 8.9 per cent. offer return to the employers for further discussions.

WEDNESDAY: Leaders of the Iron and Steel Trades Confederation, who have so far been offered increases of only 6 per cent., return to the British Steel Corporation amid warnings of possible strike action;

British Shipbuilders are due to reply to a national claim on behalf of 85,000 shipbuilding workers. Negotiations have traditionally followed those in the engineering industry but are now complicated by the fact that shipbuilding is nationalised;

The tanker drivers' overtime ban which could lead to a serious reduction in petrol supplies is due to start.

THURSDAY: Talks resume on the electricity supply workers' claim for substantial increases. Unofficial groups are demanding 40 per cent. and union leaders have warned of a "battle" if they are not offered more than 10 per cent;

The National Union of Mineworkers, which is still pursuing a claim for new rates of up to £135 per week despite the recent breakthrough on local productivity deals, meets the National Coal Board.

FRIDAY: Further talks on the engineering industry national pay claim. Union leaders have rejected as derisory an offer from the Engineering Employers' Federation which would increase the national wage bill by 2½ per cent. The collapse of the national agreement and some form of industrial action are both possible if there is a further failure to agree.

The power workers' negotiations are particularly important with the unrest of men in some *parts of the country having* already been demonstrated by unofficial action at the end of last year.

Union leaders representing the 96,000 manual workers in the industry expect to receive a detailed *response* from the Electricity Council this week.

Discussions are certain to include the possibility of a productivity agreement, although this is complicated by the power workers' belief that they should be rewarded retrospectively for labour-shedding which has already taken place.

Unrest among the power workers is being increased by the extra money now beginning to be earned in productivity bonuses by the miners, with whom they identify closely.

However, the National Coal Board is putting much hope in the belief that the newly negotiated incentive scheme will take the heat out of the big direct pay claim which they face this week.

Guidelines

Despite a settlement within the *pay guidelines* by Mobil tanker drivers on Friday, men working for BP, Texaco and Esso plan to go ahead with an overtime ban from Wednesday in support of 30 per cent. pay claims. Shell drivers meet to-day to decide whether to join the action, which could reduce supplies to garages by about one third.

As well as this week's negotiations, it is now clear that an *offer* within the 10 per cent. guidelines to 30,000 water workers has been rejected by a majority of the three unions involved. The union side will *now return to the employers* and seek an improved offer.

Some of the water workers are demanding a settlement relating their pay to industrial workers on the lines of the agreement which ended the firemen's strike.

The National Association of Fire Officers, which has been negotiating a settlement of this sort since the award to the firemen, will go to the Home Office this week and seek assurances that it—like the Fire Brigades Union—will be guaranteed against future pay policy.

CONTENTS OF TO-DAY'S ISSUE

OVERSEAS NEWS

EEC partners move to isolate U.K. in fish talks

BY MARGARET VAN HATTEM BERLIN, Jan. 29.

[EI]GHT Common Market fisheries [mi]nisters who met here this [we]ek-end appear to have reached [an] understanding which excludes [Br]itain on negotiations for a [co]mmon fisheries policy, which [st]art in Brussels to-morrow.

Despite earlier suggestions [th]at he might not attend, Mr. [Joh]n Silkin, the British Minister [of] Agriculture and Fisheries, is [to] join in to-morrow's talks, and [the] British are optimistic that a [sett]lement of their differences [wit]h other member states will be [rea]ched this week.]

The ministers took advantage [of] their presence in Berlin for [the] "Green Week"—the agricul[tu]re and food fair organised by [the] West German Government—[to] hold a two-day informal meet[ing] on Friday and Saturday, at [wh]ich an all-out effort was made [to] solve problems relating to [Ire]land, and thus to neutralise [Br]itain's only ally in the dispute. Mr. Silkin had boycotted the meeting after German, Dutch and Belgian agriculture ministers failed to meet his deadline for approval of Britain's request for a 7½ per cent. devaluation of the "green pound," the exchange rate by which British agriculture prices are calculated.

One draft resolution agreed by the other eight ministers, to be presented to the Council of Ministers to-morrow as a Commission proposal, does not specify which boats would catch how much or where.

But it does recognise what Mr. Finn Olav Gundelach, the EEC Commissioner for agriculture, described afterwards as "the natural preferential rights of local boats."

There is no formal recognition of permanent preferential rights within a specified coastal zone, but Ireland's right to an increasing share of whatever stocks become available as conservation measures take effect, is conceded, he said.

The Irish position in this week's negotiations is still somewhat ambiguous but Mr. Brian Lenihan, the Irish Fisheries Minister, indicated yesterday that the proposed plan may be acceptable if it provides adequate recognition of Irish coastal rights.

He added that Ireland would not support Britain in any battle for similar rights in the North Sea. "The British case in the North Sea is nothing to do with us—they will have to argue that one out for themselves," he said.

Christopher Parks adds: The suggestion that Ireland had been "bought off" with special concessions at informal ministerial talks in West Berlin was shrugged off by the British Agriculture Ministry to-day. The Ministry also remains confident that enough political will has been generated for agreement on a common fisheries policy to be reached this week.

Giscard speech rallies coalition

By Robert Mauthner PARIS, Jan. 29.

PRESIDENT Giscard d'Estaing's speech last Friday—in which he advised the country on "the right choice" to be made in next March's general election—has already made a big impact on the election campaign.

Even normally hostile commentators have admitted that the President's speech, in favour of the present coalition parties, was one of the most effective and forceful which he has made since his election in 1974.

Whatever direct effect it has on the voters' attitudes, it seems probable that his descent into the political arena will lead to a closing of the ranks in both the coalition and Left-wing opposition camps.

One of the most significant early reactions has been that of M. Jacques Chirac, the Gaullist leader, who stated unequivocally that he was "fully satisfied" with the President's speech.

It can be expected, therefore, that the coalition parties will now make strenuous efforts to patch up their latest quarrels, which have seriously undermined their chances of winning the election.

The emphasis placed by the President on the divisions of the Left has also stung M. Georges Marchais, the Communist leader, into taking a superficially more conciliatory line towards his erstwhile Socialist partners.

If the Socialists and Communists obtained a parliamentary majority, the Communists would definitely participate in a Left-wing Government, and the common programme of the Left would be applied, M. Marchais stated categorically at the week-end.

But this disarmingly simple statement has not succeeded in clearing up the ambiguities and contradictions of the Communist position. Only three weeks ago, M. Marchais announced that the Communists would agree on a joint front with the Socialists in the second round of the election only if they obtained substantially more than 21 per cent. of the total vote in the first round.

Editorial comment, Page 12

West German dockers settle for 6.4% rise

By Adrian Dicks BONN, Jan. 29.

[DO]CKERS at West Germany's [s]even major ports will go back [to] work to-morrow, following [sett]lement over the week-end of [a] pay dispute that brought the [...] men out on strike last [We]dnesday.

Following mediation by the [for]mer Mayor of Hamburg, Herr [Han]s-Ulrich Klose, the two sides [acc]epted a 6.4 per cent. pay in[cre]ase from February 1—worth [ab]out 7 per cent. in a full year.

The settlement is the first in [this] year's round of pay negotia[tio]ns, and comfortably exceeds [the] 5.5 per cent. said by the [Gov]ernment last week to be the [acc]eptable maximum.

The principal industrial [em]ployers' associations said the [por]t employers had given too [mu]ch away, and expressed the [hop]e that the dockers' settle[me]nt would not be taken as a [pr]ecedent in other sectors.

The dockers' union had [orig]inally demanded 9 per cent., [and] had rejected an arbitrator's [aw]ard (accepted by the [em]ployers) of an extra 5.3 per [cen]t.

Christian Democrat 'no' to Berlinguer demands

BY PAUL BETTS ROME, Jan. 29.

THE CHRISTIAN Democrat Party firmly rejected to-day increasingly strong Communist pressures for direct participation in the next Italian Government.

The "veto" was contained in an article in the Christian Democrat newspaper, Il Popolo, and represented the long awaited Christian Democrat response to Communist demands for a direct role in power.

These demands were reiterated yesterday by the Communist leader, Sig. Enrico Berlinguer, at the end of a three-day extraordinary meeting of the Party's Central Committee.

In his summing-up speech, Sig. Berlinguer reaffirmed that the present economic and social crisis afflicting the country demanded immediate collaboration of all the democratic forces, including the Communists. This hard-line approach was approved unanimously by the Central Committee.

Sig. Andreotti, the Prime Minister-designate, is to hold a second round of talks with political parties this week to see whether a compromise is still possible.

While there have been signs of possible agreement on an economic and social programme, the developments of the last 24 hours reveal an increasing deadlock on the crucial political issue.

The Christian Democrats to-day were already accusing Sig. Berlinguer of making in his summing-up speech, which included a reference to the need for more realistic labour relations, hinting at the concept of a social pact, the basis of an election platform. Sig. Berlinguer has made similar accusations against the uncompromising stand of the Christian Democrats.

Although Sig. Berlinguer reiterated the possibility of forming an alternative Left-wing administration, it is now becoming clear that unless a compromise is reached on the key political question there will be an increasing risk of fresh elections—a prospect, for a variety of complex internal political reasons, that is now being resisted by all the Italian parties.

Bahrain, Qatar, UAE revalue

BY OUR FOREIGN STAFF

BAHRAIN, Qatar, and the United Arab Emirates (UAE) revalued their currencies over the week-end against the dollar by between 0.5 and 2 per cent.

The revaluations were somewhat smaller than had been expected, and the new rates virtually realign the three currencies which had been drifting apart in recent months.

Doina Thomas writes from Bahrain: The Bahrain dinar was revalued by 2 per cent. against the U.S. dollar at the opening of business in Bahrain on Saturday when the Bahrain Monetary Agency (BMA) announced a new selling rate of Bahrain dinars 0.388 to the dollar.

At the same time the BMA said that the par value of the dinar would in future be expressed in terms of the International Monetary Fund's Special Drawing Rights (SDR).

Celia May writes from Dubai: The half per cent. revaluation of the Dirham against the dollar, which brought it into line with the currencies of Bahrain and Qatar, was in general viewed with disappointment in the UAE.

The new rate of Dh3.88 was announced by the UAE Currency Board on Saturday morning when dealings in foreign currency were resumed after a one-day closure.

By the end of Sunday morning dealings in the banks had steadied to Dh3.8790 to 3.8795. The agreement with the Government of Qatar and Bahrain led to speculation that talks on a common Gulf currency—which has long been mooted—would open again.

In Doha, the Qatar Monetary Agency (QMA) announced the revaluation of the riyal to 3.8770/3.880 to the dollar from 3.947690/3.951007—by 1.8 per cent. The Qatari riyal and the UAE dirham have been on a par for many years and the Bahreini dinar has traditionally been worth one tenth of each of the other two.

The three countries appeared to have acted in concert but officials in the area would not confirm this, saying only that they had been in contact over the currency issue.

Zulu leader criticises Kruger

BY QUENTIN PEEL JOHANNESBURG, Jan. 29.

CHIEF Gatsha Buthelezi, leader of the largest legal mass movement of blacks in South Africa, the predominantly Zulu Inkatha organisation, to-day appealed for unity among all the black tribes and movements in South Africa to fight for "liberation."

Addressing a cheering crowd of 9,000 supporters at an open-air stadium in Soweto—the first such meeting to be allowed in the township for almost two years—Chief Buthelezi rejected the advice of Mr. Jimmy Kruger, the Minister of Police, to restrict his organisation to Zulus, and the instructions of the local magistrate to speak only on the subject of the forthcoming elections in the Kwazulu homeland and launched a wide-ranging denunciation of the government's actions since the outbreak of the Soweto riots in June, 1976.

At the same time he appealed for support in the elections in his homeland to endorse his rejection of independence for the homeland and his insistence that South Africa should be shared by "all the people of various racial backgrounds who have contributed towards her development."

Chief Buthelezi, whose Inkatha "cultural liberation movement" has adopted the colours and uniforms of the banned African National Congress, and has formed an alliance with the Coloured Labour Party and the Indian Reform Party, said South Africa had reached a cross roads, with the white electorate responding to Mr. Vorster's call to the white laager in the last general election.

He appears now to be deliberately challenging the authorities to ban his organisation, in the knowledge that he has overwhelming support in Kwazulu, and is also one of the homeland leaders which the South African government recognises as valid spokesmen for the majority black population.

Iraq poses problem for summit

By Our Foreign Staff

THE GROUPING of Arab countries opposed to President Sadat's peace initiatives towards Israel appeared yesterday to be having trouble in convening a conference scheduled for Algiers later this week because of continuing differences between Syria and Iraq.

High level talks between Syria and Iraq, due to be held in Algiers yesterday, were reported to have been postponed indefinitely following a brusque announcement by Iraq on Saturday night that Baghdad was "not concerned" with the Algiers summit. Iraq walked out of the meeting comprising Algeria, Libya, Iraq, Syria, South Yemen and the Palestine Liberation Organisation (PLO), held in Tripoli last month because of disagreements with Syria over a hardline approach to the Arab conflict with Israel.

Iraq's decision not to attend the Algiers summit led Syria, according to sources in Damascus, to change its mind about sending a senior delegation to Algiers. Originally it had been announced that Major-General Naji Jamil, commander of the air force and a senior member of the Ba'ath Party, and Mr. Mohammed Haidar, and Mr. Mahmoud Hadid, both members of the party leadership, were to have left Damascus for Algiers yesterday. The despatch of this delegation has now been cancelled.

The differences stem from the fact that Iraq insists on a Syrian denunciation of United Nations Security Council resolutions 242 and 338 adopted after the 1967 and 1973 Arab-Israeli wars. The two resolutions are widely regarded as the basis for a settlement of the conflict.

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Tunisian union leader held

By Our Foreign Staff

MR. HABIB Achour, the leader of the Tunisian General Union of Tunisian Workers (UGTT), was arrested on Saturday night in a widescale security crack-down following riots on Thursday in which over 40 people were officially acknowledged to have been killed and over 300 injured.

The riots occurred both in Tunis, the capital, and other major urban centres on the day Mr. Achour called for the first day-long general strike in the history of Tunisia since it became independent in 1956.

At least seven other members of the 13-member executive bureau of the UGTT have been taken into custody, according to the Tunis Afrique Presse (TAP), the government news agency.

Mr. Dhaui Hannablia, the Interior Minister, said on Saturday that 40 people had been detained after a swoop on UGTT headquarters in Tunis and 150 held after a raid on a UGTT office in Sousse.

Seventeen big companies in U.S. 'paid no 1976 tax'

BY DAVID BELL WASHINGTON, Jan. 29.

SEVENTEEN major U.S. companies paid no tax at all in 1976 and 41 others paid taxes amounting to less than 10 per cent. of their worldwide income, Congressman Charles Vanik reported yesterday.

For some years now Mr. Vanik has published an annual league table of companies that pay little or no tax which reads like a guide to corporate America.

He said yesterday that the latest figures are a further indication that many large companies are paying a smaller proportion of their income as tax than five years ago, and that—by contrast—individual taxpayers are paying an increasing proportion of their income to the Federal Government.

Among the companies who paid no federal income-tax in 1976, according to the Congressman, were five major steel producers including U.S. Steel and Bethlehem Steel, General Dynamics, American Airlines, Chase Manhattan Corporation, Singer, Phelps Dodge, Eastern Airlines, LTV, and several public utilities.

Companies which paid an "effective tax rate" of less than 10 per cent. on their earnings included Mobil (4.5 per cent.), Exxon (8 per cent.), AT and T (9.5 per cent.) and Gulf Oil (7 per cent.).

As he has in the past, Mr. Vanik stressed that none of the companies concerned had done anything illegal. Rather they had been able to take advantage of a whole range of tax "breaks," credits and exemptions passed by Congress over the years. One of the main ways of minimising U.S. tax is the use of the foreign tax credit which allows U.S. corporations to reduce their U.S. taxes by the amount of tax they pay abroad.

WORLD TRADE NEWS

France claims dumping by N. American pulp producers

BY MAX WILKINSON

THE FRENCH government has agreed to support anti-dumping allegations against North American suppliers of the wood pulp used for making fine papers.

The case against the North Americans will be forwarded to the European Commissioners this week. The French Government has decided to act after vigorous protests were made by pulp and paper manufacturers in France.

They are alarmed because cheap imports from Canada and the U.S. have depressed price levels and made their operations unprofitable.

The French Government has already required pulp importers to take out licences and to declare their prices. This measure, has not, however, had any effect in stemming the flow of transatlantic imports, or raising prices.

North American producers have been able to ship large quantities of bleached and unbleached sulphate pulp into Europe because they have surplus capacity caused by the relative depression of their own home market.

The shipments have enabled them to run their plants at about 90 per cent of capacity. Scandinavian producers, on the other hand, have lost about 25 per cent. of their market share in Europe, mainly because they failed to match the price reductions.

In the UK. the depression of prices has generally been welcomed by paper makers, who buy almost all their sulphate pulp from abroad. The only UK producer of chemical pulp is Wiggins Teape, whose factory in Cumbria makes kraft liner for the packaging industry.

In France, however, a large proportion of the pulp used in the paper and board industry is made from locally grown trees. In 1976 French pulp production was 1.7m. tonnes compared with imports of 1.3m. tonnes. Home-produced bleached sulphate pulp (the grade most affected by American competition) amounted to 700,000 tonnes.

The dumping allegations have been made by seven major companies belonging to the Federation des Syndicats de Producteurs de Pates pour Papier et Textils et Artificiels.

They say the American importers are undercutting the current "official" price of around $330 a tonne by about $60. In some cases it is alleged prices for bleached chemical hardwood pulp have been down to $255 a tonne and for softwood down to $290 a tonne.

The British Paper and Board Industry Federation said that it would be studying the French submission. Its initial reaction was that nothing should be done to raise the general level of pulp prices.

EEC not convinced by Fukuda package

By David Buchan

BRUSSELS, Jan. 29.

THE EUROPEAN Community remains unconvinced that the Fukuda Government's recent reflationary package will reduce significantly the EEC's trade deficit with Japan, which grew to $4.7bn. last year.

Mr. Nobuhiko Ushiba, the Japanese external economic affairs minister, was told this yesterday by EEC Commission President Roy Jenkins who went on to warn the Japanese minister that EEC Foreign Ministers would again take up the issue of trade with Japan when they next meet on February 7.

The EEC Commission does not see Japan's announced plans to raise growth to 7 per cent. as helping much to redress the trade imbalance. Spending on public works is considered unlikely to suck in many European imports.

But Mr. Jenkins argued that it was psychologically just as important for Japan now to be seen to make a specific gesture towards Europe. In particular, he urged the Japanese to think of buying the A-300 Airbus. EEC officials see a potential 20 Airbus orders from two domestic Japanese airlines now in the market for replacements. As a multinational French-German-Dutch project (with Hawker Siddeley as sub-contractor), the Commission is keen to push the Airbus.

Britain may aid Caribbean export promotion project

BY HUGH O'SHAUGHNESSY

THE BRITISH Government is studying an ambitious transport and marketing project which would assist the countries of the Caribbean to realise their export potential. The project was discussed by Mrs. Judith Hart, the Overseas Development Minister, with the governments of the area during her recent tour of Central America and the Caribbean.

The project, which could cost between £20m. and £30m., would involve the formation of a Caribbean export promotion agency which would ensure that producers of the region were aware of the opportunities for export and had stocks to satisfy buyers' orders.

The scheme, which has yet to be worked out in detail, would embrace the improvement of the transport facilities of the region, including its ports and airports, air and shipping lines so that the access of export products to their overseas markets could be improved.

The project is likely to form part of the big multilateral aid effort which is being set up by a group of prospective lenders to the Caribbean which include the U.S., Canada, Venezuela, Mexico and possibly Trinidad and Tobago.

As the aid effort is being put together the interest of Britain, which did not participate in the original launching of the idea, appears to be increasing.

A conference was held in Washington to discuss the idea in December and it is to be examined again by interested governments and financial institutions in April.

Mauritania $360m. mining loan

BY ROBERT MAUTHNER

PARIS, Jan. 29.

MAURITANIA'S State-owned mining company announced at the weekend that it had been granted a $360m. international loan for the exploitation of new iron ore mines in the north of the country.

The loan was granted by a group of Western and Arab banks and finance companies, including the World Bank, the U.S. Exim Bank, the French Caisse Centrale de Co-operation Economique, the European Investment Bank and a number of Arab development funds, after two days of negotiations here. No details of the terms of the loan were given after the meeting.

Representatives of the mining company, Societe Nationale Industrielle et Miniere (SNIM), told the meeting that Polisario guerilla attacks had prevented it from meeting foreign orders for iron ore.

In January, it had exported only 300,000 tonnes to Western Europe and Japan, and there was no certainty that the February target of 800,000 tonnes could be met.

Mauritania's economic situation has been seriously undermined by the Polisario operations, which have been directed mainly at the railway line between the northern mining centre of Zouerate and the Atlantic port of Nouadhibou.

Iron ore exports account for 80 per cent. of the country's foreign exchange income. Production last year fell to 8.5m. tonnes from 9.6m. tonnes in 1976, largely because of the disruption caused by the Polisario guerillas, who are fighting for an independent Western Sahara.

The new open-cast mine will be situated at Guelbs in northern Mauritania. It is reported to have reserves of some 2bn tonnes and it is planned to have an annual production of 6m. tonnes.

Austrian Chancellor to visit Moscow

By Paul Lendvai

VIENNA, Jan. 29

AUSTRIAN Chancellor Bruno Kreisky will pay a two-d working visit to Moscow n week in a bid to reduce rapidly growing imbalance in lateral trade. In his project talks with Soviet Prem Kosygin, he will present entire list of proposals major projects, including jo ventures in third markets T Austrian deficit in trade w the Soviet Union reach Sch.3.5bn. (about £120m.) la year

Economic experts predict that if the trend continu Austria's deficit vis-a-vis Mosc could reach a staggering to of Sch.5bn to Sch.9bn. by 19 As the deterioration of the tra balance coincides with a ra rise in overall trade defi there is growing concern abo what used to be an importa prop to exports.

During January · Novemb last year, Austria's trade g widened by 33 per cent. Sch.65.6bn. compared to t same period in 1976. As touri has also failed to produce appreciable increase, the c rent account deficit also jump from Sch.25.2bn. to Sch.44bn

The Soviet Union has a mark share of 3.4 per cent. in Austri aggregate exports and accou for 3.8 per cent of the impor

EEC chemical industry seeks exemptions from tariff cuts

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE CHEMICAL industry in the EEC has compiled a list of sensitive products, which it wishes to exclude from tarriff reductions negotiated under the final phase of the long-running Tokyo Round of the GATT talks.

The process of whittling down the array of chemical products produced by the industry has proved long and controversial. But a lengthy list of more than 60 products has now been produced and submitted to the European Commission by CEFIC, the Council of European Chemical Industry Associations.

It is still far from certain whether any of these products will become a matter of negotiation. In its initial negotiating offer, tabled in Geneva ten days ago, the EEC said it sought no exceptions from the average industrial tariff cut of 40 per cent. or more that the talks are aiming at. The Community made it clear, however, that it reserved the right to make exceptions later on, in the light of the negotiating positions of other participants — Japan, for example, has excepted certain chemical products from its negotiating offer.

The European chemical industry is concerned that its position in domestic markets could be further undermined if concessions are made on EEC external tariffs without corresponding reductions in other countries.

The most sensitive areas declared by the industry are in fertilisers and petrochemicals. Chemical companies are concerned at the practice of dual pricing exercised by some countries producing vital raw materials, such as phosphate rock. Rock is sold at one price to domestic manufacturers of products such as fertilisers and at a higher price to overseas manufacturers, making it difficult for the EEC industry to compete with imports.

There is equal concern over some petrochemical products, because of imports from the U.S. which are based on favourable energy and feedstock supplies available at prices well below world market levels.

Petrochemicals manufacturers in Western Europe in general are currently suffering from a high level of over-capacity and weak prices. Apart from dual pricing and U.S. imports, the industry is worried that markets could be further damaged by a growing influx of low-cost imports from Eastern bloc producers.

It is felt that the EEC's procedures for anti-dumping measures must be improved, particularly in relation to imports from the Comecon countries, where the domestic selling price can be arbitrarily fixed by state agencies, rather than determined by market forces.

Tariffs are already non-existent in the EEC on some sensitive products, such as SBR (styrene butadiene rubber) and on some of the aromatics, such as paraxylene.

Where tariffs on chemical products do exist in the EEC, they tend to be of the order of 8 to 15 per cent. For some commodity plastics which can be expected to be included on the list of sensitive products, tariffs can be as high as 16 to 18 per cent.

Maputo port protest

JOHANNESBURG, Jan. 29.

THE JOHANNESBURG Chamber of Commerce has complained that its members are being coerced by South African Railways into using the Mozambique port of Maputo. According to a local Press report the National Association of Chambers of Commerce has been asked to talk with railway officials to win freedom of choice for South African exporters to use Maputo or South African ports.

Some South African exporters have reportedly complained about ships allegedly leaving Maputo half empty because of loading delays caused by cranes, fork lifts and harbour tugs being out of action.

A railway spokesman said it was anxious for exporters to continue using Maputo. General Manager Kobus Loubser said he wants to show the world that South Africa can be friendly towards Marxist oriented states and does not want Mozambique to become dependent on Communist bloc finance.

AP-DJ.

Contracts

● Deere has agreed to sell tractors and other farm implements for the first time to China but the company declined to disclose any details of the transaction beyond saying that the sale would total about $1m. with shipment scheduled for completion by May 1.

● Hoerner Waldorf division of Champion International has placed a $15m. order with Oy Tampella for a high output kraft-liner machine to be installed in their Missoula Mill, in Montana. Delivery will take place in 1979.

● Two $0.5m. orders for advanced medical diagnostic equipment have been received by Nuclear Enterprises from the Ministries of Health in Iraq and Abu Dhabi. Nine ultrasonic scanners will be supplied to Iraq, and two gamma cameras, along with equipment for function uptake studies, to Abu Dhabi.

● Morgan and Grundy has won a £508,000 contract to supply laboratory furniture, fume cupboards, service fittings and ancillary equipment for the Medical Faculty of the University of Riyadh and will also supervise the installation, which is due to commence in the autumn of this year.

● Telephone Cables, (TCL) a GEC subsidiary, has contracted to supply coaxial telecommunication cable for installation in Egypt for two separate projects being undertaken by Standard Telephones and Cables.

● L. M. Ericsson has received two orders totalling $9m. from the Ministry of Communications in Oman, intended for an expansion of the telephone network which was previously installed by the company. Deliveries will be completed in the next two years.

World Economic Indicators

TRADE STATISTICS

		Dec. '77	Nov. '77	Oct. '77	Dec. '76
U.K. £bn.	Exports	2.818	2.650	2.771	2.361
	Imports	2.898	2.578	2.725	2.576
	Balance	−0.080	+0.072	+0.046	−0.215
West Germany DMbn.	Exports	25.4	23.5	24.7	24.3
	Imports	21.2	20.4	19.9	21.0
	Balance	+4.2	+3.1	+4.8	+3.3
France Frs.bn.	Exports	28.319	27.698	28.038	27.127
	Imports	26.660	30.363	27.911	29.297
	Balance	+1.659	−2.665	+0.127	−2.170
Japan $bn.	Exports	8.57	6.82	6.93	7.156
	Imports	6.36	5.21	5.08	5.503
	Balance	+2.21	+1.61	+1.85	+1.653
		Nov. '77	Oct. '77	Sept. '77	Nov. '76
Holland Fls.bn.	Exports	9.610	9.161	9.027	10.049
	Imports	9.546	9.503	9.303	8.840
	Balance	+0.064	−0.342	−0.276	+1.209
Italy Lire bn.	Exports	3.252	3.282	3.136	2.981
	Imports	3.266	3.745	3.348	3.605
	Balance	−0.014	−0.463	−0.212	−0.624
Belgium B.Frs.bn.	Exports	106.693	119.338	123.609	121.911
	Imports	116.721	124.097	121.747	116.374
	Balance	−10.652	−4.759	+1.862	+5.537
U.S. $bn.	Exports	9.304	9.190	10.915	9.625
	Imports	11.386	12.787	12.631	11.282
	Balance	−2.082	−3.097	−1.715	−1.657

HOME NEWS

Oil groups oppose cut in North Sea exports

By Ray Dafter and Kevin Done

OIL COMPANIES are to submit figures to the Government showing that they could lose tens of millions of pounds if they are forced to cut back exports of North Sea oil.

The report is being prepared by the Petroleum Industry Advisory Committee (PIAC) as a sequel to the first meeting last week of a tripartite group involved in oil-refinery policies.

Trade union leaders told Government and company representatives at the meeting that they wanted to see at least two-thirds of North Sea crude oil being refined in the U.K. This would encourage the maximum downstream developments based on North Sea oil products, they said.

In recent months, however, the oil industry has been using less than 60 per cent. of North Sea crude in its U.K. refineries. The rest has been exported.

The companies maintain that this practice is in line with existing Government guidelines.

The controversy concerns the relative values of different types of crude oil. North Sea oil is regarded as a premium crude, being reasonably light with a low sulphur content.

Penalties

Therefore, the oil industry argues, it should be used only as a replacement for imported premium crudes.

Companies are about to produce figures to show that if they are forced to replace imported heavy crude oil with North Sea oil they could lose between 27 and 50 pence per barrel on refined products.

Stockbrokers Wood Mackenzie have calculated that this economic penalty could amount to a loss on the U.K. balance of payments of some £36m. this year, £105m. in 1979 and £163m. in 1980.

EEC may impose oil penalties Back Page

Tories plan to curb BNOC role

By Our Energy Correspondent

THE BRITISH National Oil Corporation will be stripped of many of its roles if the Conservatives are returned to power, Mr. Tom King, Shadow Energy Spokesman, said at the week-end.

The corporation's task, under a Conservative Government, is seen as that of an adviser monitoring development, depletion, safety and other offshore development issues.

Mr. King, speaking at a Bridgwater constituency Conservative meeting, blamed BNOC for delays in offshore exploration and development. "BNOC, while operating on the one hand as a commercial oil company, is increasingly assuming the role of a full-scale regulatory agency.

"It is also intimately involved in planning, ordering, financing and selling. We hear a lot about the evolving relationship of BNOC with its partners. It has indeed evolved — from Big Brother to Godfather."

The gradual supplanting of the Energy Department by BNOC raised worrying doubts about the security of Britain's most valuable natural resource. There were signs that the corporation was anxious to divorce itself as much as possible from government.

Referring to BNOC's conflicting roles—as an effective regulator and operator—Mr. King said that the Conservatives would undertake a thorough review of the organisation. The task of regulation would be returned to government.

"We must be able to attract to the important work of regulation people with real experience in the oil industry who at present flinch from the prospect of leaving their employers for such a suspect competitor as BNOC. These changes will do much to remove the bottlenecks and get the North Sea going again."

Viners seeks more staff

VINERS, Britain's largest manufacturer of cutlery and hollo-ware, is looking for 32 skilled and semi-skilled workers, and nine qualified engineers.

The need to recruit more workers for the Sheffield factory has been brought about largely by Viners' booming exports.

Mr. Brian Viner, deputy chairman, says: "We are firmly established as an international company and, as such, the ups and downs of any individual market does not affect us quite as drastically as many other companies in the industry.

Texas air route

BRANIFF INTERNATIONAL, the U.S. airline which has been awarded the route between Dallas/Fort Worth in Texas, and London, will start flights on March 1, flying non-stop. The airline would like to operate into Heathrow Airport, but under the Anglo-U.S. bilateral air agreement it is expected that it will have to use Gatwick.

Villiers will give evidence to Commons inquiry to-day

BY ROY HODSON

MINISTERS are hoping that the Government's tentative plans for rescuing the nationalised steel industry will not be jeopardised by the expected grilling to-day of Sir Charles Villiers, chairman of British Steel, by the Commons Select Committee on Nationalised Industries.

Sir Charles has been ordered to appear before the committee to give more information about British Steel's financial deterioration last year.

The MPs are also pressing for all correspondence relating to the steel crisis between Mr. Eric Varley, the Industry Secretary, and Sir Charles, to be shown to them.

Although the hearing will be in private, Ministers are worried that enough will be said for versions of the Government's options for steel to circulate inside and outside the Commons.

The Government is particularly concerned about the danger that premature disclosure of half-formed plans might provoke hostile union reaction.

The Cabinet committee on the British Steel crisis has a range of proposals before it based upon negotiations between the corporation and the steel unions, and further recommendations from the Treasury, the Department of Industry.

Mr. Gerald Kaufman, Mr. Varley's junior minister, has given the Cabinet options for reshaping the industry by reducing the 206,000 labour force or closing works or cutting future investment.

British Steel has been losing £10m. a week since December, but Mr. Varley does not expect to be able to make his long-awaited major statement on the future of the corporation to the Commons before March.

Some Ministers hope that the international slump, which is causing almost every major producer to lose money, has passed its lowest point

There is also a feeling that a "spending" Budget in March will stimulate the home economy quickly enough to be reflected before the summer in significantly higher steel sales.

Delays

They argue that it would be disastrous for the Labour Party to make swingeing cuts in British Steel early in what may be a General Election year.

Other Cabinet members say that further delays in reshaping British Steel will only serve to deepen its difficulties.

The corporation will lose some £500m. this year and is unlikely to get back into profit before 1980-81 at the earliest.

British Steel is expected to lose well over £1bn. between 1978-80 if the industry continues with old works, overmanning and an ambitious investment programme.

The hawks in the Cabinet want to see that figure cut by some hundreds of millions of pounds as a result of strong Government action.

The proposals before the Cabinet range from a relatively modest closure of plants with the loss of some 10,000 jobs to a crash closure programme which would chop 30,000 jobs in two years.

The most drastic options open to the Government include refusing necessary new investment for several old plants including Shotton, North Wales, and Shelton, Stoke-on-Trent.

World steelmakers' figures show that many other major producers have been doing equally as badly as British Steel.

In the first half of last year British Steel lost £23 on every tonne of steel made. The corporation's total losses for the half year were £204m.

Bethlehem Steel of the U.S. lost £23 a tonne; Usinor of France lost £25 a tonne; Cockerill of Belgium lost £24 a tonne; Italsider of Italy lost £42 a tonne.

In Japan production by the five major steelmakers, who are thought to have lost money, fell during the half-year to 30m. tonnes compared with 41m. tonnes for the same period the previous year.

Radical

Since these results, most of the big world steelmakers have been suffering heavier losses. One alternative for British Steel is for radical reductions in investment in new steelmaking plant.

Plans at present in the pipeline require nearly £3bn. of new investment in the next five years.

The Cabinet axe is most likely to fall on the Hunterston integrated steelworks project on the Clyde and on expansions to cost £2bn. scheduled for the coastal steelworks at Port Talbot, South Wales, and Redcar, Teesside.

Differing performance by manufacturing sectors

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

WIDE DIFFERENCES in the performance of manufacturing sectors covered by the working parties of the Government's industrial strategy are shown in the accompanying Department of Industry table for the past two years.

The groups listed account for nearly half of manufacturing industry.

The main interest lies in the relative difference in output and employment during the two years from just after the low point of the recession. For comparison, total manufacturing production rose at an annual rate of just over 1¼ per cent. during the period.

The rapid growth of the electronic computer sector (notably ICL) and the serious problems of the textile machinery industry are highlighted by the table. The fall in output in many capital goods sectors producing various types of machinery and tools shows the sluggish nature of the overall economic recovery. This is in spite of the strong growth in exports towards the end of the period.

Similarly, it would be misleading to draw any firm conclusions about the impact of the industrial strategy itself, since any effect the sector working parties might have will hardly have started to come through yet, but will only be seen over a period of several years.

The table was provided by the Department of Industry in a Commons written answer to Mr. Jeff Rooker, a left-wing Labour M.P. In an article in last Friday's issue of the weekly magazine, Tribune, he quoted the figure to support his view that the industrial strategy had failed.

The figures for import penetration should not be viewed on their own since what matters is the relative balance between the growth of imports and industry's success in increasing its share of export market (as has occurred since mid-1976).

Mr. Rooker asked for these figures, but they were not available.

The figures are for the industrial production groups nearest in classification to the coverage of the sector working parties.

In several cases the match is fairly exact, but in others the nearest approximation has been given—for instance, the speciality chemicals working party is represented by general chemicals.

It has also been necessary to group together some sector working parties, such as pumps and valves, and power equipment.

INDUSTRIAL PERFORMANCE

Sector Working Party	Annual percentage changes in—: Output*	Employment†	Import Penetration‡
Food and drink	—	− ¼	+ ¼
Speciality chemicals	+ 4½	+ 1½	+1½
Petrochemicals	+ 4¼	+ 1¼	+2
Pharmaceuticals	+11	− 1¼	+1¼
Iron and steel	+10¼	− 1¼	−3¼
Ferrous foundries	+ 1½	− 3	—
Non-ferrous foundries	—	+ 1	+2
Machine tools	− 4	+ ½	+4½
Pumps and valves and fluid power equipment	+ 4	+ 1½	+2½
Industrial engines	− 1¼	+ 3¾	−1
Textile machinery	−36½	+10¼	−3½
Construction equipment and mobile cranes	− 6½	+ 2¾	+2¾
Other mechanical handling equipment and industrial trucks	− 3	+ 1	+1
Office machinery	− 2¾	− 3¼	−1
Mining, printing, space-heating, ventilating, air-conditioning, food and drink processing and packaging machinery	− 4¾	—	+1½
Process plant fabrication and constructional steelwork	− 2½	− 2½	−4½
Automation and instrumentation	+ 3¾	+ ½	+1
Heavy electrical machinery and industrial electrical equipment	+ ½	− 1½	+ ¼
Telecommunications	−15¼	−11	−4¼
Electronic components	+ 8¼	+ 1¼	+7¼
Electronic consumer goods	+ 4¼	− 1¼	+5
Electronic computers	+24½	+ 2½	+5¼
Radio, radar and electronic capital goods	+ 7	+ 2½	+2¼
Domestic electrical appliances	+ 2¼	− 1¼	+3¼
Drop forgings	+ 2	+ 1	+1
Man-made fibres	− 6½	− 5½	+3½
Wool textiles	+ ¼	[illegible]	[illegible]
Hosiery and knitwear	+ 6	+ 2½	+2
Clothing	+ 7½	− 1½	+1½
Paper and board	+ 3½	− 1	+1¼
Rubber	+ 2¼	+ 1½	+3½

* Based on Index of Industrial Production, seasonally adjusted. Change from fourth quarter 1975 to third quarter 1977, expressed at an annual rate. Source: Central Statistical Office.

† Employees in employment, Great Britain. Change from November 1975 to November 1977, expressed at an annual rate. Source, Department of Employment.

‡ Imports as a percentage of United Kingdom demand, i.e., United Kingdom manufacturers' sales plus imports less exports, in current value terms. Change from year ending June 1976 to year ending June 1977. Source: Departments of Industry, Trade and Prices and Consumer Protection.

BP meets to decide on plant closure

By Arnold Kransdorff

THE MAIN board of British Petroleum meets this week to decide whether to carry out a threat to close the company's high-technology investment in Sardinia.

It has already completed feasibility studies into relocating the project, Italprotein, a £40m. joint venture with ANIC, a subsidiary of ENI, the Italian state oil company.

For about 18 months, their protein-from-oil factory has stood idle because the Italian Government has suspended a 1972 decree allowing production and sale of Toprina, a brand-name animal feed substitute for calves, poultry and pigs.

BP has said that it cannot continue financing a non-productive investment costing £10m. a year to maintain, and last month told the Italian Government that it would close the plant if it did not get production permission by the end of January.

The political crisis in Italy has now complicated the issue. With the resignation of Sig. Giulio Andreotti's minority Administration, there is no Government to give the go-ahead — although a spokesman for ENI in Rome said he understood that the former Minister of Industry, Sig. Carlo Donat Cattin, was acting in a caretaker capacity and was empowered to lift the suspension decree issued in 1976.

Health risk

But this is only half the problem because a vital committee has still not made its recommendation. Early in December, the then Minister of Health, Sig. Luciano Dal Falco, appointed Professor Cimmino, president of Consiglio Superiori Della Sanita (the Higher Health Council), to investigate the problem.

Two sub-committees were formed, one to look into possible cancer-forming properties of Toprina, the other into its supposed toxicity.

Both reported back on January 18—they were said to be "favourably disposed towards Toprina"—but the main committee was still unable to reach agreement, and a decision was postponed until February 14—12 days after BP is supposed to decide whether to quit.

At Thursday's Board meeting, the directors have to decide whether to wait for Professor Cimmino's decision and, assuming a favourable response, whether this can be translated into the immediate lifting of the ban.

Powell and Tory Party differ on Europe and immigration

BY RUPERT CORNWELL, LOBBY STAFF

MR. ENOCH POWELL made clear yesterday that formidable differences over Europe and immigration stand in the way of the increasingly rumoured reconciliation between him and the Conservatives.

In an interview on ITV's Weekend World, the former Tory Cabinet Minister, now an Ulster Unionist MP, praised his old party for the "process of self-education" which had led it to its opposition to the Government's devolution proposals.

But he did nothing to quell speculation that by the next general election, he will be giving the electorate—not only in Scotland—different advice from 1974, when his call to Tory supporters to vote Labour was credited with having tipped the scales against Mr. Heath.

Mr. Powell said that suggestions that the Conservatives would curb sharply, or even halt, new immigration into Britain showed how they still missed the real problem—the likely future increase in the immigrant community in the U.K.

He re-iterated his call for a policy of voluntary repatriation. Otherwise the rise in the immigrant and immigrant-descended population "could not be accommodated within the nation and society without destructive effects."

Tragedy can only be avoided if the prospect of further increase can be avoided. This could only be achieved by "the moving on, the transfer" of some of those who were here.

Mr. Powell criticised the party's policy on Europe, and in particular its support which allowed the guillotine motion to succeed last week on the direct elections Bill.

Describing himself as "congenitally" a Tory, he said that the essence of Conservatism was to uphold the nation. "The EEC in its present form is the most direct confrontation to the concept of the nation . . . It is the most un-Tory thing that can be imagined."

In Kensington a fortnight ago Mr. Powell intrigued observers by his apparent acquiescence in an EEC consisting of collaboration of independent nation states.

That had seemed not too far from the more hard-headed, pragmatic approach to the Community now shown by Mrs. Margaret Thatcher.

HOME NEWS

Cabinet team will plan return of city powers

BY DAVID CHURCHILL

THE PRIME Minister has formed a group of Cabinet Ministers to co-ordinate plans for giving back to the cities responsibilities lost under the 1974 Conservative local government reorganisation.

The move, which Mr. Callaghan announced at the Labour Party local government conference in Bristol at the week-end, is an attempt to heal the rift between Cabinet Ministers over the proposal for change.

The lack of more immediate action disappointed many conference delegates. They had hoped a firm timetable for change would be announced.

The nine major cities—with a combined population of almost 2.5m.—which lost responsibility for education, social services, transport, and planning under the Tories are Bristol, Hull, Nottingham, Leicester, Southampton, Portsmouth, Derby, Stoke and Plymouth.

Cardiff, which has a population of more than 200,000 and would have qualified, is not generally included in any prospective change because of the implications of Welsh devolution.

Under the Prime Minister's initiative Mr. Peter Shore, Environment Secretary, will work with his Cabinet colleagues in Education, Social Services and Transport to establish which powers should be returned to particular cities and how this should be done.

Mr. David Ennals, Social Services Secretary, and Mrs. Shirley Williams, Education Secretary, are opposed to short-term changes because of their disruptive influence on vital public services which are only just recovering from the re-organisations of three years ago.

Mr. Shore first canvassed support for short-term changes at last year's conference. He said at the week-end the Cabinet review would include further talks with the local authority associations and other interested bodies.

Sabotage

The decision last week by 22 smaller towns with populations of 100,000-200,000 to join the "big nine" in seeking their powers back appears to have persuaded Ministers that they should adopt a gradual approach. Mr. Callaghan said: "We are not dragging our feet, but we would sooner take a little extra time and make sure we get it right."

But Mr. Ron Hayward, the Labour Party general-secretary, left the conference in no doubt that the mood of the party was strongly in favour of change to counter the "sabotage" of the Tory reorganisation.

Earlier Mr. Callaghan had given the 700 conference delegates, mainly rank and file Labour councillors, an optimistic message on the future of both the country and party in what may be an election year. He said the era of public expenditure cuts was over, and the public could expect better services as well as a higher standard of living.

The longer an election was held off the larger would be Labour's victory as the result of its policies became clear.

Mr. Callaghan, who was jeered outside the conference by a small group of National Front supporters, attacked the "poisonous issue of racialism."

A document being considered by Labour Party's National Executive Committee and released at the conference is critical of the present role of the police in controlling racialist demonstrations.

The document suggests a number of reforms to make racialist demonstrations less effective.

Mr. Shore made it clear during the conference that while the Government hoped for single figure average rises in rates, many authorities would have to make double figure rate increases to maintain services at current levels.

Miss Joan Lestor, chairman of the NEC, warned the Government not to give tax cuts in the Budget at the expense of public spending. She told delegates an extra £1bn.-£1.5bn. was needed just to restore spending on public services to the level planned before the cuts.

Economic analyses to be unveiled

By Peter Riddell, Economics Correspondent

THE RESULTS of an unprecedented attempt to broaden the range of research and analysis available to MPs when scrutinising Government departments will be unveiled to-day.

An all-party Commons committee has received more than 15 background memoranda on the recent Expenditure White Paper from many sources, including most of the main academic and City commentators on the economy. Both monetarist and non-monetarist views are represented.

The impact of this preparation will be seen this afternoon when the general sub-committee on the Expenditure Committee, chaired by Mr. Michael English, a Labour MP, will start a series of sessions with senior Treasury officials on the economic assumptions and expenditure plans in the White Paper.

The papers include submissions from the London Business School, the National Institute, the Fabian Society, Professor Robin Matthews, Sir Alec Cairncross, and City brokers W. Greenwell and L. Messel.

Mr. Terry Ward, of the Cambridge Department of Applied Economics, the sub-committee's special adviser, has written both his usual memorandum on the White Paper and another, reviewing the other papers.

Councillors told how to regain control

LABOUR councillors in opposition were yesterday advised on the tactics to use to regain power—including manipulation of the media—in an official document presented to the conference, David Churchill writes.

The document spells out the damage done in last May's local elections, which left Labour in the minority in both the metropolitan areas and counties throughout the U.K.

It says councillors can either seek to wield some power through collaboration or "can take up a position of uncompromising opposition where every opportunity is taken to attack the controlling group."

But a policy of confrontation, "works only if the media actually reflects the image of an alternative government with clear policies of its own which is constantly discrediting the group in control."

The document points out that in the battle for media attention the controlling group on the council has many advantages. To counter these "means more extreme opposition and more sensationalism."

It says: "Newspapers will always be interested in good quotable criticisms of the council—the more extreme the better." But such tactics could make the price of good coverage purely negative, or popularist politics.

The document also warns that one of the dangers of concentrating on constructive committee work is the threat of capture or emasculation by the political group in control.

IN BRIEF

Regional aid warning

The European Economic Community will be warned to-day not to ignore the social and economic problems of declining industrial areas in outwardly prosperous regions.

Councillor Jack Smart, chairman of the Association of Metropolitan Authorities will outline the case for parts of London and the West Midlands to receive aid from the European Regional Development Fund. He will tell a Bordeaux conference of European local authorities that EEC aid should be directed to areas in greatest need to meet specific problems.

Reflation doubts

The financial outlook in the U.K. should continue to improve for some months, though the scale of the coming reflation and the performance of industry could cause problems, Dr. David Lomax, economic adviser to National Westminster, writes in the bank's economic assessment, published to-day.

Swindon scheme

A consortium of contractors has been formed to carry out a £30m. housing, industrial and commercial development scheme in Swindon. Edwin Bradley of Swindon, Barratt Developments and Costain Homes have been granted outline planning permission to start development at West Lea Down. The development will involve more than 450 acres

Gas request

The domestic gas price in Northern Ireland is two to three times higher than in the rest of the United Kingdom, according to the National Consumer Council, which has written to Mr. Roy Mason, the Northern Ireland Secretary, calling for the early construction of a natural-gas pipeline from Scotland to Ulster

Bill criticised

The definition of estate agency in the Estate Agents Bill which is to have its second reading on Friday, goes far beyond the declared purpose of the proposals, says the Consultative Committee of Accountancy Bodies.

LABOUR NEWS

Provincial journalists begin action over pay dispute

BY ALAN PIKE, LABOUR CORRESPONDENT

JOURNALISTS in provincial and local newspaper offices are due to begin industrial action to-day following the failure of talks at the week-end to resolve a dispute over their annual pay settlement.

The proposed action will include a ban on night work and the handling of advertising features, withdrawal of the use of private cars and an insistence that all material from non-journalists is processed by *bona fide* journalists. It is likely that the action will cause inconvenience rather than prevent newspapers from appearing.

The National Union of Journalists last week accepted a 10 per cent. pay offer worth £7.09 per week on behalf of its 8,500 members working on provincial and local newspapers—provided that employers withdrew a clause from the agreement restricting further pay bargaining at local level.

Talks at the week-end between NUJ officials and representatives of the Newspaper Society, the employers' organisation, failed to reach agreement on the disputed clause.

Local negotiations on self-financing productivity agreements would be possible under the employers' proposals. The union says, however, that acceptance of the clause would imply recognition of both the Government's pay guidelines and the right of the Newspaper Society at national level to restrict the content of local negotiations.

● The Sunday Telegraph failed to appear for the second successive week yesterday because of a dispute over a replacement tying machine involving members of the Society of Graphical and Allied Trades.

A management statement said that notice of installation of the machine was given to the chapel (office union section) in December and no objection was raised until the night before the paper was due to go to press.

Last week discussions took place with the chapel and SOGAT London Central branch officials as a result of which assurances were given that normal work would be resumed on Saturday. "In spite of these assurances the paper was again stopped," management said.

South Wales lorry drivers start all-out strike

BY ROBIN REEVES, WELSH CORRESPONDENT

DISRUPTION to industry and commerce in South Wales is feared as a result of an all-out strike by local lorry drivers due to start this morning.

The action was decided at a mass meeting of members of the Transport and General Workers Union in Bridgend on Saturday night, in an effort to break the deadlock in pay negotiations.

The strike call involves some 2,500 lorry drivers employed by independent general haulage contractors.

The union is demanding that the pay rises of the past two years, which were subject to the Government's guidelines, now be consolidated into a new basic wage to provide the basis for meeting its claim for a further 10 per cent. It would bring drivers' pay up to £53 a week.

The employers offer is 10 per cent. only as a further supplement to the three-year-old basic wage of £40 for a 40-hour week.

It seems that companies employing about 1,000 drivers have agreed to the union's claim. Mr. Hubert Hewitt, Swansea branch secretary of the TGWU, said the employers in other parts of Britain have accepted the union's demand for consolidation.

Drop age bars, Civil Service urged

By Our Labour Correspondent

THE CIVIL SERVICE was yesterday urged to drop immediately its policy of applying age barriers on entry to executive officer posts.

The plea was made by Lady Howe, deputy chairman of the Equal Opportunities Commission, following a recent tribunal decision that the Civil Service Department's policy of requiring all applicants for direct entry at executive officer level to be less than 28 years old constituted unlawful discrimination against women.

The department and the Civil Service unions have been given until 1980 to develop a non-discriminatory method of recruitment.

Lady Howe said that this aspect of the judgment—which she described as "one of the legal milestones on the road to equal opportunities for women"—caused the commission considerable concern. The department seemed unready to make a start in changing the rules and was continuing to use discriminatory age limits in advertisements.

"The Civil Service Department are dragging their feet instead of trying to fulfil the spirit of the Government's own legislation." She called on the department and unions to agree "as a major gesture of goodwill" to drop age barriers immediately.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

NORTH SEA OIL

Cuts risks on rigs

NOVEL MEANS of providing plant protection on board the massive North Sea platforms in the event of a blowout is proposed by Rig Design Services, a U.K. group, which in the light of the recent Norwegian incident rapidly needs to underline the urgent need for operators to be able to rely on other emergency services than those in proximity to the blowout, or that have to come by sea or air.

Standby Offshore Systems is a means of giving immediate and continued flooding of the jacket and well bay areas to keep down temperatures, thus securing the pressure containment capability of the wellheads and maintaining the structural integrity of the platform.

Whatever may have caused the blowout, the basic problem is the immediate release of hydrocarbons at high pressure and temperature and thus in an highly inflammable state. What is more, where ordinary fires tend to exhaust the sources of their energy, a blowout just keeps going.

The developers of the proposed SOS point out that because of heavy capital investment, offshore fire-fighting vessels are designed as multi-purpose units and could be many miles away in an emergency. A U.S. semi-submersible fire fighting vessel costs $40m. and doubles as a diving-support vessel. At the same time, the latter would not do more than seven knots in 12-foot seas.

But in the North Sea, during winter, seas are almost continually above ten feet.

Should there be a fire, it appears almost certain that before the vessel could get to the rig, it would have collapsed and extensive damage have been done to the field—as happened to one platform in the Gulf of Mexico.

Another solution, i.e. to pump large volumes of water on to the platform, typically at rates of 180 tonnes per minute, could well precipitate disaster on a damaged platform by overloading it to collapse.

At the same time, the water could do irreparable damage to the electrical, electronic and other equipment on board.

The SOS system guarantees continuous operation by having its power source off the rig—on an installation built for the purpose, or a vessel or again on a secondary platform connected to the protected unit and used for accommodation, etc.

It would drive submersible pumps on the rig legs installed so that the water intakes are well below sea level.

The pumps would be retrievable for maintenance and provision would be made for additives to the delivered water. These would normally be oil dispersants which would be pumped over well heads and platform.

The remote power generating unit would be linked by separate cables to each pump and the piping layout would be designed to suit the particular platform, giving complete drenching of the most critical areas. Floors in the cellar deck would be designed to provide water run-off and guidance to other important but less critical areas.

Developers say the cost of their system is small compared with that of a specially built fire fighter. SOS was originated by Offshore Emergency Systems in conjunction with the big Mannesmann Group.

Rig Design Services of Portland House, 4 Gt. Portland Street, London W1N 5AA (01-637 7551) have been retained by OES to carry out development and marketing of SOS in the U.K. Patents are pending.

MATERIALS

More active filter

SPECIFICALLY for effluent and sewage treatment, an injection moulded plastic filter medium has been launched by Acalor International.

For use in percolating or trickling filters, gas washing or absorption towers, and related systems, the random packing material is comprised of serrated rings joined to form an open hollow spheroid. It is resistant to crushing, and the serrated edges interlock to provide stability and to distribute the load of the filter bed.

Called Biofil, the material is self-distributing in filter beds or towers. It is stated to be more efficient than the conventional gravel, and this factor can be used either to reduce the total volume of the filter bed, or to increase its loading.

More from the maker at 6, Crompton Way, Crawley, Sussex RH10 2QR (0293 23271).

● COMPUTING

Control in a restaurant

INTEGRATING CASH control and management accounting in restaurants is the aim of AM Documentor, a range of systems being introduced by Addressograph Multigraph, at Hotelympia, London, January 25 to February 1.

Basically a point-of-sale mini-computer, the system is claimed to eliminate much of the human fallibility which currently loses money for restaurant operators.

It remembers menu items and prices, performs arithmetic, applies taxes, and accounts for cash. It maintains an inventory record, and even monitors employee time-keeping.

One system has a central master terminal. This is a keyboard/display unit which may be used in a stand-alone situation or can be linked to up to five remote terminals. It interfaces with a tab printer to write bills —in, for example, a bar environment, this type of system can be used to control open accounts while detailing each drink round order.

In an alternative system, the master unit works with five remote scanner terminals. These collect order information from pencil marks on preprinted menu forms.

The company says the systems can save the restaurant staff a lot of bother in trying to memorise prices or codes; they compute charges quickly and accurately, and provide for management a range of information concerned with cash, stock control, sales reporting, and other analyses, at the touch of key.

Details from the maker, Maylands Avenue, Hemel Hempstead, Herts., HP2 7ET (0442 3251).

Fast and quiet

PRINTING terminal 6335 from Data Recording Instrument Company, for receive only or keyboard send/receive duties, is able to receive serial asynchronous data at speeds up to 9600 baud.

Quiet enough for operation in offices, it prints lines of up to 132 characters formed on a 7x7 dot matrix. Paper handling is by pin-feed traction mechanism, adjustable for paper widths from four to 15½ inches. Up to five part carbon interleaved stationery may be used, fed from below or from the rear.

The whole of the printing action is microprocessor controlled and is bi-directional, obviating the need for carriage return after each line.

Character sets (64 and 96) can be provided in several national variants and forms control is included.

More from the company at Hawthorne Road, Staines, Middlesex TW18 3BJ (Staines 61141).

● TELEVISION

Better pictures in prospect

IT NOW seems very likely that within the next few years digital recording of sound and pictures, at any rate within the professional broadcasting organisations, will become the norm.

Latest advance is by IBA engineers in the U.K. who have demonstrated what is claimed to be the first digital video tape recording system with one inch tape at relatively low speed. It follows only a couple of months after a similar announcement from the BBC and 3M concerning digital sound recording.

Main advantage is the same in both cases and is analagous with the benefits obtained by pulse code modulation (pcm) in the telephone line transmission of speech, now well established.

Essentially the audio or video waveform is converted into pulses which uniquely describe the moment-by-moment amplitude of the signal. The pulses go on to the tape and on playback are processed in the opposite sense to restore the analogue waveform.

The point about both pcm and digital recording is that the signals cannot be degraded by picking up noise because they can always be re-constituted exactly, leaving noise behind each time.

The achievement is important for broadcast work where the major proportion of the total picture degradation is still accounted for by analogue video tape recorders (VTRs).

In programme editing the tape is not, of course, physically cut but the selected shots are re-recorded on to another tape. In analogue recording this can only be done a limited number of times before the picture quality becomes unacceptable, restricting the amount of editing possible.

The IBA engineers used one-inch tape moving at less than 10 ins/sec on the BCN segmented machine made by Bosch-Fernseh; experiments are being conducted on a non-segmented Sony recorder.

No bit-rate reduction of the picture information has been necessary and major changes are unlikely to make the system suitable for NTSC and SECAM standards. More on 01-584 7011.

● CONFERENCE

Sun power in Bahrain

NOBEL PRIZE winner Sir George Porter of the Royal Institution is to be a speaker at the Solar Technology Conference to be held in Bahrain from April 24 to April 27, 1978.

The conference is associated with the Gulf's first solar technology exhibition, Soltech '78.

Other speakers include Dr. L. O. Herwig of the U.S. Department of Energy and Mr. Andre Pluchard of the French National Centre for Telecommunications Studies. The French and the Americans are strong rivals in solar technology.

Regional speakers include Dr. A. Kettani of the University of Petroleum and Minerals in Saudi Arabia, Dr. M. A. S. Malik of the Kuwait Institute for Scientific Research, Dr. A. A. Sayigh of Riyadh University and Dr. S. Vojdani of the Materials and Energy Research Centre in Iran.

Companies who have already confirmed their participation in the exhibition include Exxon's Shiar, Power [illegible] Corporation, Northrop, BP, Ferranti, Dornier, Dow Corning, Lennox Industries, Lucas, Sun Systems Inc., S. W. Hart and Co. and Helios International. The French Government is taking a large stand to show the work of an official group of 12 nationalised and private firms in the solar field.

Soltech '78 is sponsored by two national oil companies, the Bahrain National Oil Company and Petroleum Development Oman, the Saudi Ministries of Petroleum and Minerals, Electricity and Industry and the Kuwait Institute for Scientific Research.

More from the Soltech organisers on P.O. B 5551, Manama, Bahrain.

● COMMUNICATIONS

Improving internal links

INTERCOM EQUIPMENT that will give full voice-switching with intercommunication for up to six locations can provide convenient internal links for offices, hotels, showrooms, etc., without the need for a central exchange.

Teletronics describes this as a "superselective" system in which all six stations are masters, each able to initiate conversations with any other. The stations provide hands-free conversation and one-touch operation.

When a master station calls, the recipient can answer immediately without the need to depress a button or turn a switch.

At the same time, if the called station is busy, the call station will "camp-on" and recall as soon as the conversation at the called station is terminated.

An optional hand-set can be provided where private conversation is essential and all six stations are powered from one mains link.

Communications distances of up to 400 metres between stations are possible.

Master station designation of VM-220 and the design is a product of National Panasonic.

More from Teletronics at 9, Connaught Street, London, W.2. 01-262 3121.

● PROCESSES

Evaporative coolers

TO MAXIMISE the efficiency of heat transfer, the Minicooler range of closed circuit evaporative process liquid coolers use [illegible] water and air flow in opposite directions.

These small package water cooling towers are available in a new range in sizes from 0.6 to 2.8 sq. metres. Part of the packing in this design has been replaced with a bundle of heat exchange tubes, through which the process liquid flows. They are cooled by a cascade of water.

The circulating water is maintained at an even temperature by the evaporative effect of the [illegible] the tube bundle. Waste heat is dispelled to atmosphere.

Typical applications [illegible] cooling of [illegible], and chemical plating solutions, and the system can be adapted for use as a condenser in refrigeration cycles. The tube bundles can be supplied in materials to suit the process fluid.

Details from Davenport Engineering Co., Harris Street, Bradford, West Yorks., BD1 5JD (0274 [illegible]).

Better use of feeds

A BLAST of infra-red radiation is used in a cooking process primarily for grains which increases their digestibility to such an extent that feed costs could be reduced typically by about 30 per cent.

The process has been called "micronising" and it consists in exposing the grains on a conveyer belt to a battery of 48 ceramic [illegible] heaters which produce about 70 per cent of their output as infra-red. [illegible] is [illegible] to [illegible] from within in their own moisture, which flashes into steam.

So far as is known, this is the first time infra-red processing has been used in this way.

Apart from its application to improving feedstuffs, the equipment is used to process the adjuncts used in brewing, which can include torrefied barley, broken rice, maize grits, etc.

The method and machinery has been under development for five years, and Liverpool University has been involved in tests of its products. Inter alia, investigators have reported that maize digestibility can be improved by 6.8 per cent, and that of barley by 4.5 per cent.

With the imminent devaluation of the green pound, widespread use of the process by feed compounders could help pig and cattle breeders to temper the wind to the shorn public lamb by keeping prices steady. A price reduction would seem too much to hope for.

More on the equipment and the process from Dr. Livingston of Farm Feed Formulators, Northallerton (0609) 5391.

● SAFETY

Watchdog for ships

SIEMENS has developed a micro-computer-based alarm and monitoring system called Simos 31 aimed at both conventional ships and liquid gas carriers.

Able to monitor over 2,000 measuring points for temperature, pressure flow and similar quantities, the system produces information about trends as well as limit values and has a continuous self-checking ability that will report any equipment malfunction within the system itself.

Alarm annunciation can be by conventional panel lamps, by cathode ray tube display or by chart recording devices, and these can be duplicated at key points in the vessel.

Simos 31 is able to monitor sensors with either analogue or digital outputs and consists basically of a central station with one or more substations. Each substation is mounted near to its sensors to reduce cabling and processes the collected data for onward transmission in serial mode to the central control station over four wire links.

Heart of the system is the company's 210 microcomputer, consisting of processor, interfacing to peripherals and sensors, and memory. Programs—to meet a particular vessel's requirements —are held in programable read-only memory while variable data including measured values and adjustable limit information are dealt with in a random access store which is battery buffered to retain data even when the system has been shut down.

More from Siemens House, Windmill Road, Sunbury-on-Thames, Middlesex TW16 7HS (09327 85691).

● HANDLING

Picks out and places components

SPECIALLY DESIGNED for use with plastics injection moulding machines, three new robots have been added to the range of six machines already made by Star Seiki, of Japan.

Pneumatically operated, these mechanical handling devices can be installed on injection moulders with capacities ranging from 15 to 1600 tons.

Sometimes referred to as a "pick-and-place" machine, the robot handling aid picks the plastic component out of the moulding machine, and places it either within easy reach of the operator or passes it to a secondary automatic operation. Movement of the robot is controlled by connections to the injection moulder, and among the advantages claimed are reduced cycle time and labour costs.

A range of conveying equipment is available to operate in conjunction with the robot which can be equipped with suction units, pressure cylinders and finger cylinders.

Marketing in the U.K. is by Cole Equipment, 7 Airfield Way, Christchurch, Dorset BH23 3TB (02015 6711).

Controlling heat

LATEST VERSION of a digital temperature controller and programmer developed by Wentgate Engineers (1976) for its range of vacuum furnaces is to be marketed as a separate product.

Major features are a programable rate of temperature rise and fall which can be set to run over a period of several hours; a dwell time at temperature; an indication of elapsed time; and a four digit set temperature with a control accuracy of plus or minus one place in the last digit (absolute accuracy is dependent on the thermocouple).

Up to five control channels can be fitted, for a range of temperatures from −199.9 to +2500 degrees C (depending on choice of thermocouple).

More from the maker at Industrial Estate, St. Ives, Huntingdon, Cambs., PE17 4LU (0480 63984).

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PLANT & MACHINERY SALES

Description	Price	Telephone
8 BLOCK (400 mm) IN LINE, NONSLIP WIRE DRAWING MACHINE in excellent condition 0/2000ft/min variable speed 10 hp per block (1968).	P.O.A.	0902 42541/2/3 Telex 336414
24" DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton (1972).	P.O.A.	0902 42541/2/3 Telex 336414
ROTARY SWAGGING MACHINE by Farmer Norton (1972).	P.O.A.	0902 42541/2/3 Telex 336414
SLITTING LINE 500 mm x 3 mm x 3 ton capacity.	P.O.A.	
TWO VARIABLE SPEE DFOUR HIGH ROLLING MILLS Ex.6.50" wide razor blade strip production.	P.O.A.	0902 42541/2/3 Telex 336414
MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	P.O.A.	0902 42541/2/3 Telex 336414
1974 FULY AUTOMATED COLD SAW by Noble & Lund with batch control.	P.O.A.	0902 42541/2/3 Telex 336414
1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.	P.O.A.	0902 42541/2/3 Telex 336414
1965 TREBLE DRAFT GRAVITY WIRE DRAWING machine by Farmer Norton 27"—29"—31" diameter drawblocks.	P.O.A.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3mm.	P.O.A.	0902 42541/2/3 Telex 336414
9 BLOCK WIRE DRAWING MACHINE and 1000 lb spooler—non slip cumulative type with double tiered 22" dia. x 25 hp draw blocks.	P.O.A.	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER —pneumatic single blow.	P.O.A.	0902 42541/2/3 Telex 336414
9 ROLL FLATTENING MACHINE 1,7000 mm wide.	P.O.A.	0902 42541/2/3 Telex 336414
7 ROLL FLATTENING MACHINE 965 mm wide.	P.O.A.	0902 42541/2/3 Telex 336414
COLES MOBILE YARD-CRANE 6-ton capacity lattice jib.	P.O.A.	0902 42541/2/3 Telex 336414
16 MM TO 28 MM ROD STRAIGTEN and cut to length line with flying shear and capstan for handling 2 ton steel coil.	P.O.A.	0902 42541/2/3 Telex 336414
RWF TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10" x 8" rolls x 75 HP per roll stand. Complete with edging rolls, turks head flaking and fixed recoiler, air gauging etc. Variable line speed 0/750ft./min. and 0/1500ft./min.	P.O.A.	0902 42541/2/3 Telex 336414
NARROW STRIP STRAIGHTENING AND CUT-TO-LENGTH MACHINE (1973) by Thompson and Munroe.	P.O.A.	0902 42541/2/3 Telex 336414
ACME GRIDLEY (BSA) 6 SPINDLE AUTOMATIC. 2¼" rebuilt and not used since. Wil lturn and index to makers limits.	P.O.A.	0902 42541/2/3 Telex 336414
WICKMAN 3¼ SINGLE SPINDLE AUTOMATIC. Extensive equipment. Excellent condition.	P.O.A.	01-928 3131 Telex 261771
VICKERS 200 TON POWER PRESS. Bed 40" x 36". Stroke 8". New cond.	P.O.A.	01-928 3131 Telex 261771
200 TON PRESS BRAKE 8' x ¼" by Sedgewick: Air brake, air clutch light gauge. Excellent condition.	P.O.A.	01-928 3131 Telex 261771
MACHINING CENTRE. Capacity 5 ft. x 4ft. x 3ft. 5 Axes, continuous path. 51 automatic tool changes, 5 tons main table load, Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at one third of new price.	P.O.A.	01-928 3131 Telex 261771
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FT GROCERY PRICES INDEX

Supermarket war cuts increase

BY DAVID CHURCHILL

THE RATE of increase in the cost of the Financial Times grocery basket dropped this month, after sharp rises in the previous two months.

The High Street price war kept the rise in the January price index to only 1.91 points (to 268.33), a rise of 0.7 per cent.

In each of the previous two months the rate of acceleration was 1.6 per cent.

In spite of the slower rate of price rises, the index reached an all-time high since its launch in 1971. The year-on-year rise, however, dropped from 8.8 per cent in December to 6.9 per cent in January.

The FT Grocery Prices Index is not seasonally adjusted, so that this month's rise owes much to the increase in fruit and vegetable prices usual at this time of year. Potatoes, cabbages and lettuces were all dearer, although the increases were mitigated by slight falls in tomato, apple and cauliflower prices.

Much of the overall drop in price increases was attributable to the widespread coffee price cuts made earlier in the month by most big supermarkets, as their stocks of higher-priced coffee were exhausted.

The general drop was 20p for a four-ounce jar of instant coffee, pushing that sector of the basket down almost a full eight points.

The slow-down in price rises would have been more marked but for the effect of the extra 1p put on a pint of milk at the beginning of the month, bringing the official selling price to 12½p. This forced the dairy sector of the index up by more than five points to 148.92.

As the FT shoppers monitor the same goods in the same shops each month, cheaper own brands recently introduced by some shops are not reflected.

The outlook for a further slowing down in price rises in the shopping basket next month is quite good, as supermarket chains continue price-cutting. Earlier this month Sainsbury's announced its "Discount 78" price-cutting campaign in response to Tesco's "Checkout" campaign. Other supermarkets are likely to follow suit.

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FINANCIAL TIMES SHOPPING BASKET
JANUARY 1978

	January £	December '77 £
Dairy Produce	148.92	143.77
Sugar, tea, coffee, soft drinks	86.92	94.93
Bread, flour, cereals	93.42	92.36
Preserves and dry groceries	28.73	29.35
Sauces and pickles	15.03	14.85
Canned goods	49.85	49.18
Frozen foods	40.87	41.95
Meat, bacon, etc. (fresh)	183.37	180.64
Fruit and vegetables	86.27	82.14
Non-foods	59.61	58.23
Total	793.05	787.40

INDEX: 268.33

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.36; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.8; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 133.83; Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; April 29: 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.49; May 183.41; June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. 189.79; Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33; Feb. 211.81; Mar. 216.30; April 222.43; May 226.78; June 222.82; July 216.71; Aug. 221.34; Sept. 230.34; Oct. 237.8; Nov. 241.53; Dec. 244.82.

1977: Jan. 251.03; Feb. 253.96; March 256.27; April 258.92; May 263.34; June 266.58; July 258.48; Aug. 256.46; Sept. 256.81; Oct. 257.98; Nov. 262.10; Dec. 266.42.

1978: Jan. 268.33.

APPOINTMENTS

New Board members for Plesse

Mr. Alistair Frame, deputy chief executive of Rio Tinto-Zinc Corporation Limited, Mr. Raymond Pennock, a deputy chairman of ICI, and Mr. Frank Chorley, managing director of Plessey Electronics Systems, are to join the *main Board of the Plessey Company.*

Mr. Frame and Mr. Pennock will serve in a non-executive capacity. Mr. Chorley will continue as a full-time executive.

Mr. Frame, 48, has been a deputy chief executive of the RTZ group since last January. Mr. Pennock, 57, became a deputy chairman of ICI in February, 1975. He was appointed chairman of the agricultural division in 1968 and joined the ICI Board in 1972.

Mr. Chorley, 51, was appointed managing director of Plessey Electronics Systems in June, 1976. He joined Plessey as managing director of the avionics and communications division in March, 1974 from the GEC group of companies where he had been director and general manager of the transmission division of GEC Telecommunications.

★

Mr. R. S. Haddow has been appointed to the Board of the BURMAH OIL COMPANY. Formerly president of Amoco Shipping Inc., Mr. Haddow became shipping adviser to the Burmah group in April, 1975. He will retain his existing responsibilities as chief executive of Burmah Oil Tankers and president of Burmah Oil Shipping Inc.

★

Mr. R. L. E. Lawrence, vice-chairman of the British Railways Board, is to become chairman of BRITISH TRANSPORT HOTELS to succeed Mr. H. L. Farrimond, who is giving up the post of part-time chairman on February 25, but will continue as an adviser, particularly on overseas development.

★

BRENT CHEMICALS INTERNATIONAL has made the following appointments which arise from a reorganisation of its operating companies into four product based divisions, Ardrox; Metal Finishing; Food Beverage and Institutional; and General.

Mr. H. W. Cross continues as *group managing director* and chief executive. Mr. H. A. Holden becomes deputy group managing director and chairman of Ardrox division with Mr. K. M. Jacobsen as deputy chairman, Ardrox. Mr. D. James has been made deputy chairman, Metal Finishing, and remains managing director of Pyrene Chemical Services. Mr. Cross is chairman of Metal Finishing. Mr. S. C. Cuthbert, while continuing as group finance director, will be chairman of Food Beverage and Institutional and Mr. C. Aberdein is its deputy chairman. Mr. C. R. Gulliver has been appointed chairman General. Dr. B. J. Ridgewell becomes corporate technical manager and Mr. E. F. Woodhouse continues as corporate planning manager.

The appointments do not involve any changes in the composition of the main Board.

★

Sir Edwin Leather has joined the Board of RICHARDS MELLING, Canadian associate of Hogg Robinson Group.

★

Mr. L. F. Bradbury has been appointed sales director of WRAGBY PLASTICS, a member of the McKechnie Group.

★

Mr. Richard M. Holloway, a Board member and general manager, has been appointed managing *director of CHEMCO EQUIPMENT* FINANCE, the U.K. leasing and asset financing subsidiary of Chemical Bank, New York.

★

Mr. Peter Woon, head of information division, BRITISH BROADCASTING CORPORATION, is to take up the post of editor, news and current affairs, radio, which will co-ordinate the output of the separate radio news and current affairs departments, having overall editorial respo[nsi]bility for both.

★

Mr. R. W. Batson has [been] elected a director of BA[KER] PERKINS LIMITED, a subsid[iary] of Baker Perkins Holdings. [He] continues as *manager of g*[roup] personnel services of the pa[rent] company. Mr. S. C. Hargrea[ves,] group planning director of [the] parent concern, is to relinq[uish] his seat on the subsid[iary] company Board.

★

Mr. Ian Barclay has [been] appointed commercial directo[r of] ALVIS, of the Leyland Sp[ecial] Products Group.

★

Mr. John A. Kendrick has [been] appointed finance director [of] SIMON-ROSEDOWNS, a mem[ber] of the Simon Engineering g[roup.] He succeeds Mr. G. W. Innes, [who] retires on March 31.

★

Mr. R. A. Rowbotham [has] become chairman of the R[OW]BOTHAM INSURANCE GROU[P on] the retirement from that pos[t] of Mr. C. S. Rowbotham, who [has] been elected the group's president.

★

Mr. E. J. Garner has [been] appointed to the Board [of] GARTONS. He is mana[ging] director of Peter Darli[ng] Partners, a subsidiary. Mr[.] Blyth is now company secr[etary] of Gartons in succession to [Mr.] J. Sellers, who has transferre[d to] other activities within the g[roup.]

★

Mr. R. Perkins, mana[ging] director of Ransomes and Ra[pier,] has been elected president o[f the] FEDERATION OF MANU[FAC]TURERS OF CONSTRUC[TION] EQUIPMENT AND CRANES [for a] second year.

★

Mr. Julian B. Mueller has [been] appointed president and [chief] executive of TR AME[RICAN] CHEMICALS INC., of New Y[ork,] a subsidiary of Simon-TR [Hold]ings, London.

3uilding and Civil Engineering

'rench Kier tots up jearly £15m.

NSTRUCTION OF an exten-n. to the north and west ngars of technical block A London Heathrow Airport at cost of £9.7m. is to be under-en by W. and C. French, a mber of the French Kier oup. This is the largest of 'eral contracts awarded to the oup totalling nearly £15m.

The hangar extensions will be out 105 by 38 metres with an erall height of 31 metres and cluded will be plant rooms. ilities for cranes and other vices. The work will take years.

N. and C. French is also to ild three blocks of flats at contree Estate, Dagenham, sex, for the Greater London uncil. Value of this contract £635,836.

Charles Band and Son has won £2.4m. contract from the Tyne d Wear Passenger Transport ecutive for the construction of . James Station, Newcastle. Work will include provision of overrun tunnels and ventilation shafts.

Kier has gained two contracts. One, worth £765,000, is for West Midlands Gas for a computer suite at Wharf Lane, Solihull and the other, valued at £647,721, is for 61 flats for elderly people at Linden Road, Bedford, for the Hanover Housing Association.

Four more contracts have gone to Robert Marriott of Rushden, Northants. These are for an extension to a block which forms part of a warehouse at Mansion Close, Moulton Park, Northampton, for Robert Horne and Co. (£73,595), for an extension to The Silver Band Club, Corby (£51,192), for an extension to an office block at Kettering, for Thornton Baker and Co. (£95,886) and for the construction of 45 bungalows for old people and three wardens' houses at Blackthorn IV North, Northampton for the Northampton Development Corporation (£451,000).

2½m. orders for Bowey

NTRACTS worth £2½m. are ted to have been won so far s year by the Bowey Group.

Major jobs include the con-uction in Crook, Co. Durham, 37 dwellings for Wear Valley strict Council (£436,000), ex-usion of a telephone exchange Kenton, Newcastle upon Tyne 221,000) and a housing velopment in Boulmer, Northumberland for the Department of the Environment (£301,872).

Work has already started on a community centre at Boulmer, on two advance factories on a former railway station site in Alnwick for English Industrial Estates Corporation and a housing scheme for aged persons in Byker for Newcastle upon Tyne Housing Committee.

Iomes in Scotland

)USES at Rosemarkie, Ross d Cromarty, and at Banchory, ncardinshire, are to be built der contracts worth over 58,000 by Alexander Hall and n (Builders).

The Rosemarkie contract, lued at £495,000 was awarded by Ross and Cromarty District Council and is for 35 single and 2-storey dwellings.

At Banchory, houses and flats for old people are to be built on the site of a former railway goods yard. Awarded by the Hanover Association, the contract is worth over £163,000.

£9m. London office block

A CONTRACT valued at over £9m. for the construction of a nine storey office block and podium in Lower Thames Street, London, E.C.3, has been awarded to Higgs and Hill Building by Leysen and Company.

Work on the project to be known as St. Magnus House has just begun and will be completed in March, 1980.

Architects are R. Seifert and Partners.

Wimpey at home and abroad

WORK in Trinidad and at Newcastle-on-Tyne will bring in over £5m. to the Wimpey Group over the current year.

George Wimpey (Caribbean) holds the contract for the first phase of a sports complex to be built for the Government of Trinidad and Tobago. This is worth £4.5m.

Phase 1 of the Mucurapo Sports Complex requires the construction of six netball courts with ancillaries to meet the needs of the 1979 World Netball Championships.

Newcastle office of George Wimpey is to build six factories for English Industrial Estates Corp. The project is sited at the Middlefields Industrial Estate, South Shields and the contract value is £753,000.

£3m. worth to Miller Buckley

THREE contracts with a total value of over £3m. have been awarded to Miller Buckley Construction.

The largest, valued at £1.4m., is for warehouses at Dunstable for Brixton Estate.

Refurbishing of offices for Elliott Automation at Camberley, Surrey, is to be undertaken at a cost of £1.1m. and an office building valued at about £500,000 is being constructed for GEC Gas Turbines at Whetstone in north London.

Variety for Laing

THREE sports centres are to be constructed for Leeds City Council by John Laing at a cost of nearly £2m.

Work has already begun on one centre, the Fearnville Centre north-east of the city, and it is expected to start soon on the others—the Scott Hall Sports Centre north of Leeds and the Hunslet centre south of the city centre.

In Glasgow, Laing is to modernise St. George's Cross Station for the Greater Glasgow Passenger Transport Executive at a cost of £510,000, while, down in the south, at the National Gas Turbine Establishment at Pyestock, near Farnborough, Hants., the company has begun work on a £400,000 extension.

For the London Borough of Lewisham, Laing is completing a housing development which was started by another contractor in Venner Road. This contract is worth £450,000.

Engineering division of John Laing Construction is to carry out two projects to improve Thames tidal defences.

Work has already started on a £1.4m. contract to construct a 1.2km-long Rosherville reinforced concrete capped steel sheet piled flood wall at Crete Hall Road, Northfleet, Kent, with completion scheduled by the spring of 1979.

The second contract, worth £1.8m., is to construct a 2.3km clay crest wall and a 1.5km toe loading berm (ledge) between Dartford Creek and Greenhithe. Completion is expected before end-1978.

£6m. Tilbury contract in Nigeria

THE OYO State Government in Nigeria has awarded Tilbury Contracting Company (Nigeria) a £6m. contract for the reconstruction of the Mapo-Molete road at Ibadan.

Site of the work is in a densely populated and busy part of the city and dualling of about 2¼ km. of road is involved. Work is now starting.

£3m. to Norwest Holst

SUBSIDIARIES of Norwest Holst have been awarded contracts worth £3.3m.

Under a £1.4m. contract for Amalgamated Developments (Enfield) Norwest Holst Construction will build five, four storey blocks of flats, with multi-storey reinforced concrete car parking, at The Grange, High Street, The Bourne, Southgate, London N14.

This company has also been awarded a contract worth £⅔m. by the English Property Corporation to extend the Kingsmead Shopping Centre at Farnborough.

Holst England is to construct six sand storage silos for Redfearn National Glass at Monk Bretton, near Barnsley (£400,000), and has several other jobs including awards from Allied Breweries at Burton-upon-Trent (£200,000), Gibbons Brothers for a coke oven project at Monkton (£400,000) and smaller contracts for Fletcher Sutcliffe Wild and Allied Mills. Holst Soil Engineering has also won two contracts totalling £105,000 in connection with road schemes.

Ghana water supply

CEMENTATION Construction has been awarded contracts worth over £2m. by the Ghana Water and Sewerage Corporation.

They form part of a sponsored project by the Canadian International Development Agency and the work will include construction of four reservoirs, a water treatment plant and alterations to two pumping stations.

The sites are at Bolgatanga, Wa and Bawku in the upper region of Ghana. Cementation is already working on a contract in Ghana for four bridges and total value of work in the country is now over £5½m.

Back in the U.K., Cementation has won a series of contracts in the North worth about £1.5m. covering a wide range of activity from further work on the Humber Bridge anchorages to an aerial mast in the Shetlands.

Council house awards

CONTRACTS worth almost £2.8m. to build council houses at Bolton, Lancs., and Rushcliffe, Notts., have been obtained by Rowlinson Constructions, of Poynton, Stockport.

For Bolton Borough Council it is to build 183 dwellings in the Grasmere Street/Crumpsall Street area. Of traditional construction, they include two- and four-bed houses, and two-bed and one-bed flats. Work on the £1.58m. scheme starts to-day.

The Rushcliffe contract is for the supply of 140 dwellings, and will be completed by January, 1979. It includes one-bed flats, two-bed bungalows and two- and three-bed houses, again of traditional construction.

Hospital laboratory

A LABORATORY block for the Medical Research Council is to be built at New Addenbrookes Hospital, Hills Road, Cambridge, by Rattee and Kett (Mowlem Group). This follows the completion of a residential block for the hospital by Rattee and Kett last year and the construction of the hospital itself by the Mowlem group some years ago.

The block, costing £1.7m., will be of six storeys with a roof plant room, tank rooms and cooling tower platforms. There will also be single-storey entrance accommodation, X-ray facilities and a stores block.

The superstructure will be of reinforced concrete frame with face brick cladding and aluminium vertically sliding windows. Work has just started and will take two years. The architects are Cusdin Burden and Howitt.

Offices at Gatwick Airport

A £1.8m. contract for a 4,500 square metres office block at London's Gatwick Airport has been awarded to Taylor Woodrow by the British Airports Authority.

The office block, to be constructed over the international arrivals section, is intended for the airlines that will be starting to operate services at Gatwick over the next few years. The four-floor block will have a reinforced concrete structural frame clad with metal panels and with double-glazed windows. Completion is due in April 1979.

The British Airports Authority is spending about £100m. on rebuilding Gatwick Airport to provide an alternative to Heathrow.

In the north, Taylor Woodrow has been awarded a £1.1m. contract by the North West Water Authority for extensions and modifications to its sewage treatment works at Hawthorn Road, Sale, Cheshire.

Designing a large coal plant

CONSULTANCY and engineering services contracts for the design of a new multi-million pound coal preparation plant in India have been awarded to a Davy International company, Head Wrightson Process Engineering, of Thornaby, Cleveland, by Tata Iron and Steel Co. (India).

The design order, worth £400,000 and won against strong German competition, incorporates plant and equipment to treat 1.5m. tonnes of run of mine coal per year. Approximately 1m. tonnes of coking coal per year will be produced by the DSM dense medium cyclone and froth flotation process and a further ½m. tonnes of power station fuel per year will be produced as a secondary product. The products will be transported by an overhead rail system to a rapid loading bunker installation 6 kilometres away from the plant.

Head Wrightson India, Calcutta, is negotiating for a contract worth approximately £5m. for the detailed engineering, supply, erection, testing and commissioning of the plant.

Prevention of pollution

WATER treatment specialist Degremont Laing has been awarded contracts worth nearly £400,000 to supply processing plant for two paper mills—one in Nigeria and the other in the U.K.

The larger, a 12-month project valued at around £250,000, is for the design and supply of equipment to treat river water for use in newsprint production at the Nigerian Newsprint Manufacturing Company's pulp and paper mill in the Cross River State of Nigeria.

Engineers for the project are Parsons and Whittemore Lyddon, of Croydon.

The second award is a £125,000 package contract to design, supply and erect a plant to treat effluent from the Wycombe Marsh Paper Mills (a subsidiary of Bunzl Pulp and Paper) at High Wycombe, Bucks.

IN BRIEF

● U.K. Construction and Engineering Company has been awarded a contract worth about £600,000 for the fabrication and erection of pipework for Imperial Chemical Industries - Organics Division at Grangemouth, Scotland. This is stage three of the construction of ICI's pyrimidines plant.

● Costain construction has been awarded a contract worth almost £400,000 by the London Borough of Harrow to build an extension to Bentley Wood High School at Stanmore, Middx.

The company has also been awarded a £250,000 contract to build a geriatric ward and plant room at Stratford-upon-Avon General Hospital for the West Midlands Regional Health Authority.

● Precast concrete frame structures—two for office blocks and another for a laboratory block—have been ordered from Bison Concrete. The office blocks are for Basildon Development Corporation and for Ideal Standard at Hull. The laboratory is for Allied Colloids at Bradford. Total value of the orders is £330,000.

● Lesser Construction has been awarded a contract worth about £0.7m. to design and build an extension to the Peterborough (Norman Cross) Crest Motel, on the A1. The work, to be completed early next year, includes a two-storey block of 48 bedrooms and 16 suites, and a single storey facilities block—the existing public areas remain in use until the facilities block is completed.

هكذا من الأصل

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

THE CONCEPT of management development has been accepted by most U.K. concerns during the last decade or so but executives at Tannoy's factory near Glasgow have started to experiment with the much more novel idea of employee development. So far their scheme seems to be paying off—in terms of both productivity and industrial relations.

Why the individual approach comes over loud and clear

BY SUE CAMERON

Tannoy is best known for its loudspeaker systems but also for hi-fi equipment, most of which is exported. In order to meet its long-term expansion plans, it moved its manufacturing operations from London to Coatbridge, in the heart of Scotland's industrial belt, less than three years ago. And the move gave the company the opportunity to take a completely different approach to the management of its workforce, which it had been wanting to do for some time.

The key factor in Tannoy's new philosophy—which is home-grown, though similar to that of its U.S. parent, Harmer International—is that its 200 employees should take as much responsibility as possible for their own work, their own careers and their own day-to-day organisation. This approach has the full support of the union, which represents the entire workforce. The union would like to see similar systems encouraged in other companies—"provided the atmosphere were right."

This principle is put into practice in a number of ways: everyone on the shop floor stamps his or her work so that any errors can be traced back to the individual concerned; employees are brought together to meet major customers so that they can hear exactly what their requirements are. The entire labour force, including managers, is divided into small work groups which meet once a month to discuss all technical and organisation aspects of their jobs; and the company lays great stress on voluntary job mobility — both upwards and downwards—within the organisation.

Mr. Jim Hughes, general manager of the Coatbridge plant and chief architect of what Tannoy calls its work improvement scheme, insists that workaday decision-making must be placed with the people who are going to feel the effects of it—the line operators.

"We shouldn't have one engineer telling another how he thinks the operators ought to be doing their jobs," Mr. Hughes says. "It should be up to the operators themselves.

"When we first came to Coatbridge we made as few rules for employees as possible. We wanted people to make their own rules as they came and joined us. What we are trying to do is to match the growth rate of the structure of the organisation with the growth rate of individuals. This is one reason why we didn't rush out and hire dozens of operators as soon as we arrived.

The appointment of supervisors provides one example of how this policy works on the shop floor. At the outset the company appointed *only* one supervisor. It was felt the operators themselves should decide which tasks required supervision and how much of it there ought to be.

The key factor in Tannoy's new philosophy is that its 200 employees should take as much responsibility as possible for their own work, their own careers and their own day-to-day organisation

Resistance

There was a certain amount of resistance to the idea at first. The operators demanded more supervisors — apparently just on the grounds that they had been used to more supervision in other companies. But the Tannoy management stood firm and insisted that the matter be given some thought. To-day there *are* more supervisors at the factory, but their number has been carefully worked out and there are still only a few of them.

This principle that all employees should be involved in the decisions that affect their jobs is written into Tannoy's union agreement with the Managerial, Administrative, Technical and Supervisory Association—the white-collar section of the General and Municipal Workers' Union. Three other principles are also written into the agreement. They are fairness, security and individual fulfilment.

Some of the ways in which these principles are intended to manifest themselves are obvious enough: just rewards for the efforts made by employees; no discrimination on the grounds of age, sex, race or religion; high safety standards; and job security.

But the security principle also covers what Mr. Hughes calls "emotional security." This means that an employee can tell his boss he is wrong without fear of recriminations.

Perhaps the most radical of Tannoy's four principles is the one concerning individual fulfilment. The union agreement defines it as follows: "The principle of individual fulfilment expresses our recognition of the uniqueness of each employee and the wish to provide, as far as possible, the opportunity to use and develop their individualities through their work.

"In particular, it is important to respect individual needs by the establishment of sufficiently flexible work organisation to allow people to move towards the type of job and style of supervision which they prefer. This implies continuing education and training.

"It is essential that flexibility is established as a vital characteristic of our organisation and it is agreed that reasonable transfer between all grades is an essential, continuing condition."

Managers apart, there are three grades of jobs at Tannoy—cleaners, operators and skilled technicians. If an individual asks to be moved up a grade and has the necessary ability, the company will see to it that he or she receives the required training. When this is completed the promotion will bring an increase in pay.

"Each person has his or her own growth needs," Mr. Hughes says. "For some this will mean becoming more involved with the technical side of their jobs. For others it will mean promotion. And there are those who just want to stay put." To obtain some idea of likely demand, and to encourage people to consider the idea the company has already asked everyone which other jobs they would like to do and has a list of the replies.

Mr. Hughes admits that the hard thing is to have job mobility downwards. He insists that there is no stigma in going down a grade and says the company is doing its best to persuade people to speak up if they feel their jobs are becoming too much for them. Poor health or family difficulties could cause an employee to ask for a downgrading, which would mean a pay cut. So far it has not happened.

It should be added that people are free to ask to do a different job within their own grade. Every effort is made to accommodate employees who want to move, although individuals sometimes have to wait a while for a transfer if there are no immediate vacancies or if they are desperately needed in their current capacity.

Discussion on the technical and organisational aspects of jobs is carried out by about a dozen work groups—one for each manufacturing subsection in the factory. These groups meet once a month in company time and any recommendations they make go to Tannoy's work improvement committee. The committee is made up of representatives from each individual work group, plus four management representatives. It has the power to back work group recommendations or to veto them.

Mr. Jim Hughes—general manager of Tannoy's Coatbridge plant and chief architect of the company's work improvement scheme.

Irritated

The work groups discuss a wide variety of matters from job rotation within grades to whether a TV team should be allowed to come in and film life at the factory. There is a work group for managers as well as for other employees. This has discussed such things as management's response to a demand for better education and training for technicians, and the method of choosing supervisors for the shop floor.

Some employees are irritated by having to attend regular work group meetings but they seem to be in a minority. Mr. Hughes claims that one problem is finding the time to deal with all the recommendations that come before the work improvement committee.

Another, more serious difficulty is that work groups sometimes refuse to accept the responsibility that has been given them. For example, smoking is not allowed on the factory floor but a special area has been set aside where smokers can go and have a cigarette when they feel the urge. While they are smoking they are not working. The work groups are now saying that management must take action because the net result of the scheme is that smokers are having more breaks than non-smokers.

The management says it is up to the work groups to sort out the matter.

The work groups say they do not want to be responsible for preventing' their workmates from smoking. They think it might cause bad feeling and they want a ruling from the top. So far the problem remains unresolved.

Mr. Hughes says this fear of taking authority is a "constant theme." But although it disappoints him, he feels the problem can be overcome — given time. He also thinks it is vital for management to be firm and authoritative within its own domain.

"The work improvement committee says yes or no to the recommendations put up by work groups but it is the management which has the money," Mr. Hughes says "and if we disapprove of something really strongly then we will veto it. The management might even veto a suggestion that does not involve any additional expenditure.

"I think it is most important to say no clearly. Managers must not pretend they are going to give an idea further consideration when they know full well they are not even going to entertain it. For example, I would have no hesitation in vetoing a recommendation that would put our customers at a disadvantage.

"I do not know what the effect of an open split between management and the work improvement committee would be. It is possible that it could undermine the whole system. I do not think it would, but there has not been a major disagreement yet."

The work improvement scheme is being monitored by Mary Weir, a sociologist from the Department of Employment. Mr. Hughes says she acts as a catalyst and an arbitrator, gingering people up if enthusiasm flags and perhaps helping to avert any major disagreements.

Tannoy's policy also has the full support of the union, witness the four principles written into the union agreement. There is a closed shop at the Coatbridge plant and it should be pointed out that there is a traditional and separate structure for hard bargaining with union shop stewards. At least three shop stewards also sit on the work improvement committee—if they are not elected in the normal way then they are co-opted.

Meanwhile Mr. Hughes says that Tannoy's productivity has risen considerably since the company moved from London. He estimates that the 200-strong labour force is producing almost twice as much as 300 people did in the old plant. He adds that the improved output cannot be put down to the introduction of more modern equipment — at the time of the move it was felt a change of technology would be far too risky. He puts most of the improvement down to Tannoy's way of organising itself, though he admits that "people in any new factory are likely to be happier than in one that has been established for ten years."

The company is expected to take on more people in the near future. It is perhaps a tribute to Tannoy's whole approach that many existing employees have asked for their husbands or wives to be considered for jobs at the plant—even though some of them already have jobs elsewhere. Yet an increase in the workforce could bring its own problems.

"People say that our system is working because we only have 200 employees here," Mr. Hughes says. "They add that we won't get away with it when we grow. Well, perhaps we won't. But at least we're trying."

Challenge to traditional beliefs

DEEPLY entrenched attitudes towards job security must be challenged in the interests of easing long-term unemployment, Baroness Seear, Liberal life peer and a reader in personnel management at the London School of Economics, told a conference on "manpower in the 1980s" last week.

Lady Seear said the way to increase job opportunities was to make manufacturing industry more efficient and more profitable so that extra money would be available to develop labour-intensive service industries. She added that this would mean putting more resources into manufacturing while at the same time changing certain traditional beliefs and attitudes—including that on job security.

"Anyone who challenges the concept of job security is likely to be labelled a right-wing reactionary," Lady Seear said. "I do believe that everyone has a right to a job though not necessarily to the particular job he or she is in at a particular time."

Lady Seear went on to say that employers must resist over-manning and she called for a tougher approach in industry generally. She said, for instance, that failing enterprises should think about switching their area of activities to something completely different.

She cited one case where a carpet factory had gone over entirely to the production of small arms during the Second World War. The management and workforce remained the same and only a small number of expert advisers had had to be brought in. The switch had been completed within three months.

The one day conference, held in London by the Institute of Employment Consultants, also heard Mr. C. C. Pocock, senior managing director of the Royal Dutch/Shell group sketch two possible scenarios for U.K. employment in the 1980s.

In one there would be a flourishing private sector and a confident public sector, subject to the normal commercial disciplines. Comparable skills would be paid comparably in both sectors, rewards would not be taxed away and they would reflect different levels of skill. The added security and attractive pension arrangements of the public sector might be balanced by forms of profit sharing in the private one.

The other possibility was what Mr. Pocock called North Sea welfare. This would consist of a patchy private sector and a public sector that "would be close to an agency for providing mass employment." To make this system even "half workable" public sector employees would have to accept lower rewards than people in the private sector. At the bottom of the pile there would be significant numbers of unemployed.

Sue Cameron

LOMBARD

Labour markets and the Budget

BY SAMUEL BRITTAN

THE YEAR in the last cycle most early corresponding to 1978 was n fact 1972, when the Heath Government went in for its biggest ever exercise in deficit financing, backed by extensive money creation. The comparison is far from just academic. For 1972 was basically the year when things went wrong. This was not because of a technical miscalculation about the effects of Competition and Credit Control. The real mistake was a misdiagnosis of the labour market.

In 1972, as now, economic recovery was under way. But the then Government and its advisers both over-estimated the amount of slack in the labour market, and very much under-estimated the recovery in employment that was in the pipeline without its efforts. As a result it was thought that there was no inflationary danger in giving a large stimulus to demand, whatever the financial press or backbenchers said about the monetary aggregates. It is terribly important not to make a mistake on this score again.

Unfortunately the indicators from the labour market are confusing and contradictory. Unemployment has been falling slightly, on a seasonally adjusted basis, since October and vacancies rising as well. But not only is it difficult to sort out the temporary distortions brought about by "job creation" measures. There may be also something funny about the seasonal pattern.

Another cautionary sign is that adjusted employment in production industry fell back slightly between June and November, 1977. This, however, tends to be a lagging indicator.

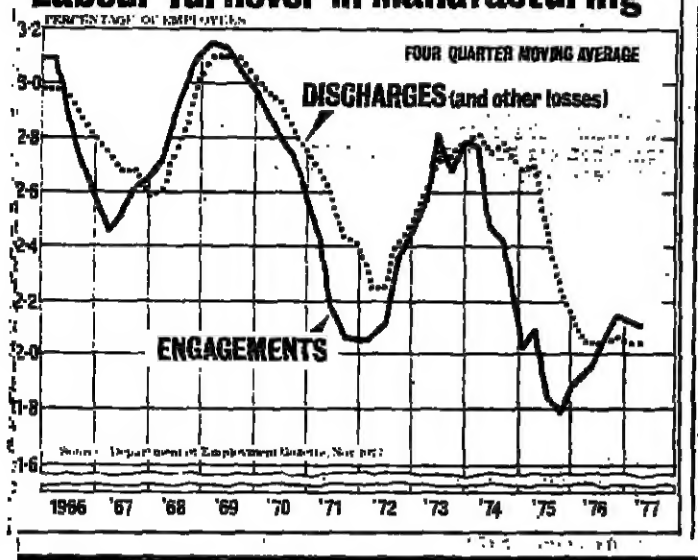
A more reliable indicator is the behaviour of vacancies over a reasonably long period. The seasonally adjusted three months moving average was at its lowest point, at just over 110,000 people, in the first half of 1976. Despite fluctuations its trend since then has been rising; and it now stands at about 160,000.

But probably the best single labour market indicator is the flow of engagements and discharges—usually known as labour turnover—shown for manufacturing industry in the chart. Department of Employment studies showed that not only engagements, but discharges as well, fall off in a slump because discharges are partly voluntary, and people are more cautious about quitting when jobs are hard to get.

The chart shows that engagements have recovered sharply since the winter of 1976, and discharges have at least levelled off. The labour turnover series only goes up to the first half of 1977. But we can get a clue to what has happened since from the inflow and outflow of people from the unemployment register. As one would expect, the number of people leaving the register has been roughly balanced by those joining it in recent months. But the interesting aspect is the rise in gross movements. A little under 360,000 people were joining and leaving the register in April, 1977, but nearly 390,000 were doing so in December. This again suggests that labour turnover has risen again.

These indicators are far from final. But it is extremely important that the Budget should take into account the actual trend of labour markets and not just what the economic forecasts say it ought to be.

Labour Turnover in Manufacturing



THE WEEK IN THE COURTS — BY JUSTINIAN

English *v.* Scots

DEVOLUTION, it appears, is not exclusively the contemporary prerogative of the hustings and the legislature. The courts, too, have caught the spirit of nationalism. That is evident from the House of Lords' decision in four related appeals* concerning the proper forum in which personal injury claims should be tried.

In all four cases the injured workmen sustained their injuries in the course of employment in factories in Scotland. In each case the employer was a company with its registered office in England. It was that fact alone that made it possible for a High Court writ to be served on the employer in England. None of the four actions had any other connection with England. The employers sought to have the actions stopped in England, forcing the employees to sue in Scotland. At the final hurdle they succeeded in directing the litigation north of the border.

The advice

Why did the separate workmen—all of them resident Scots—ever come to the English courts? Each workman had, through either his trade union or professional association, consulted solicitors advising those organisations.

The advice was that damages might be higher in England. Until at least 1972, when Scottish courts were enjoined by the Court of Session in Edinburgh to take account of awards made by English courts in comparable cases, awards of damages for industrial accidents were almost invariably higher in England than in Scotland—and the legal process invariably was shorter and less costly in England. The employers countered by saying that the disadvantage to them of having to contest the claims in England was oppressive. Moreover, the employees, it was claimed, had failed to show any reasonable justification for choosing to litigate in England.

Until very recent times English judges turned no one away from their courts who could show any connection between his case and England. Time and again it was said that once the jurisdiction of the English courts had been properly invoked, the plaintiff was entitled to pursue his remedy and would not be sent away. But the House of Lords itself in a commercial case in 1974† effected a considerable change of attitude. Gone was the judicial jingoism of former days.

Lord Reid described it as the "good old days, . . . when inhabitants of these islands felt an innate superiority over those unfortunate enough to belong to other races." Instead the formula became as follows:—If England was the natural forum, the plaintiff should not be driven from the judgment seat of the English judge; but if he came merely to serve his own ends, he must offer some reasonable justification for his choice of forum whenever the defendant objected to being dragged away from the natural forum. A gloss has been put upon the phrase "some reasonable justification" in last week's decision. The employees had to show not just a reason for coming south of the border but that if they had brought their actions in the Scottish courts they would have been deprived of a legitimate, personal or juridical advantage that would be available to them in the High Court in England.

Condition

The advantage must be a real one. The plaintiff's own belief (or rather the belief of his legal advisers) was not enough. An unsubstantiated, honest belief by the plaintiff or his legal advisers that an advantage was obtainable by suing in the English courts would have been sufficient before 1974, but since the House of Lords' decision of that year that is no longer so.

The House of Lords was impressed by the obvious convenience to a trade union with a membership covering both England and Scotland to channel all its claims by its members through one firm of solicitors based in England, where the union's headquarters were.

But if Scotland was the natural forum, then the plaintiffs could not justify going elsewhere for advice as a justification for litigating elsewhere.

The lower courts in the four appeals had not attempted the invidious and impossible task of deciding whether the Scottish legal process was more costly and cumbersome, or whether damages were much lower in Scotland. They regarded themselves as absolved from undertaking such an investigation: they simply concluded that the legal advice given to the workmen to bring their actions in England, having been given in good faith, provided a sufficient ground on which to refuse to stop the actions proceeding in England. The House of Lords felt no such embarrassment. It investigated the juridical, as distinct from personal, advantages in bringing the actions in England rather than in Scotland.

Contrasting

Since the House of Lords is the final court of appeal for both England and Scotland in civil matters, the Law Lords did not need to have Scots law proved like any other foreign law, but were entitled and bound to take judicial notice of it. But one wonders how the judges in England are going to handle the problem where the natural forum for a piece of litigation is not Scotland but a foreign country with a legal system that is very different from their own.

Now that Britain is a party to the Rome Treaty and a partner with other EEC countries in an economic union with a single, supervisory court to intepret EEC law, it will have to learn to live in a legal world which accords equal recognition to the fully developed systems of Western Europe. If a claim arises in an EEC country which is the natural forum for the claim, then that country's courts should handle the dispute.

But what about non-EEC countries' courts? Should the same rule apply in those cases, particularly where the legal system might be regarded as not being "fully developed." May it not be invidious for English judges to make judgments about the relative merits of foreign legal systems? And was not the old, simplistic rule the wiser to adopt? One cannot help feeling that the Scotland vs. England issue was resolved more in terms of the current argument over devolution than with an eye to comparable problems unaffected by insular politics. Hard cases, one is reminded, make bad law.

*MacShannon v. Rockware Glass Ltd.; Fyfe v. Redpath Dorman Long Ltd.; Jardine v. British Steel Corporation; Paterson v. Stone Manganese Marine Ltd., The Times Law Report, January 25, 1978.
†The Atlantic Star (1974) A.C. 436.

Time top clubs installed synthetic pitches

SOCCER

BY TREVOR BAILEY

HAVING BEEN at the Elland Road riot when Manchester City eliminated Leeds United from the F.A. Cup in the third round, I was keenly looking forward to seeing whether this cultured team could overcome an even tougher hurdle at Nottingham on Saturday, and whether they had fully recovered from their somewhat unlucky dismissal from the League Cup by Arsenal earlier in the week.

Their meeting with Forest, who, under the direction of Mr. Brian Clough and Mr. Peter Taylor, are the most improved and currently, the best side in the country still with a chance of the never-attained treble, promised to be the tie of this, or indeed any round.

Unfortunately the game had to be postponed because of heavy rain, although the last thing either club wanted was to find themselves with a possible backlog of fixtures.

The weather, which caused six other F.A. Cup-ties to be called off—or played in conditions such as the mud heap at Old Trafford, which are unsuitable for high-quality soccer, once again suggested that it is time every big club had a synthetic grass pitch. This would ensure play on a perfect surface whatever the elements.

The initial cost of installation is about £300,000—rather less than the current price of Jordan or McQueen, either of whom could break a leg next Saturday, and have a strictly limited playing career. This price is not excessive when one takes into account some of the advantages of an artificial playing area, in addition to virtually guaranteeing no more postponed fixtures.

The greatest boon is that a football stadium could be fully utilised instead of standing empty for most of the year, because a grass pitch can absorb only a limited amount of punishment from water, ice or snow.

What is the main reason for the success of Nottingham Forest? It has recently been written that "Brian Clough buys the best players, trains them hard, and allows them to use their brains." Personally, I do not feel that this does him justice. His outstanding ability is buying the right players. He does not necessarily buy the best, but he acquires those who will slot into his existing team. That is what counts, and that is why Forest are at the top of the League.

Although purchasing Shilton was common sense, it has taken a long time for people to realise that a world-class goalkeeper is worth a large amount, because he will normally save more points than a great striker will earn.

Two more interesting Clough buys have been Gemmill, a fine halfback who had started to go off the boil with Derby County, and Needham, a dependable, but hardly exceptional centre back.

Another feature of a Clough team is that its members are almost invariably brave, which means that they usually win that 50-50 ball. They are also prepared to chase anything, even when the odds are against them. They have character, and character counts.

New problem for the FA

FOOTBALL ASSOCIATION top brass spent a lot of time and effort last week investigating the invasion of the Leeds pitch in the thirdround FA Cuptie against Manchester City. Leeds were banned from staging ties for three seasons.

That invasion came when Leeds, two down, were on their way out of the Cup, and home fans apparently sought to halt the match.

On Saturday, on the Bristol Rovers' ground, some 200 Southampton "supporters" invaded the pitch when their side went two down, four minutes from time. Play was held up three minutes, and fighting broke out on the terraces.

This will set a new problem for the FA who have not grappled with the disciplinary problems posed by visiting teams' followers. It is an area already charted by the European union, which has imposed strong sanctions on British clubs, notably Rangers, Leeds and Manchester United, for misbehaviour by their fans.

Mr. Lawrie McMenemy, Southampton's manager, has been quoted as saying that the miscreants should be jailed. That possibility, of course, would deal with any offence against public order, but it will be interesting to see if the FA breaks new ground in this case of apparent interference with a match by visiting fans.

One thing they will not be able to do is sentence Southampton to play all their ties at home.

Rovers' 2—0 victory over Southampton, Cup-winners in 1976, was a major surprise, since Southampton have proved that they can compete with the best in England in cup competition.

It showed that Rover have rehabilitated themselves after their nine-goal defeat at Tottenham—and will leave no excuse for Southampton if they now fail to buckle down to maintaining their league position to regain the First Division place which many outside Hampshire feel they richly deserve.

JAMES FRENCH

Walsall in no-man's land

RUGBY UNION

BY PETER ROBBINS

IN COMMON with many other ambitious clubs, Walsall feel that they are in some sort of Rugby no-man's-land. They are excluded from the Midland merit table and see no way of joining it under the present system.

Walsall argue that the present arrangements create a self-perpetuating elite, and that entry is impossible unless the merit clubs give them fixtures. Secretaries and clubs being what they are they do not, so the growth of such clubs as Walsall is difficult.

Walsall gave evidence of the enormous progress they have made in their John Player against Northampton. They lost 8-16 in marshy conditions, but they did manage to score two tries, to Northampton's one.

The key to the game was when and how Northampton scored. Having won the toss Page chose to play with the breeze and no-one kicks better than he does. With ample possession from Lutter in the lines out and the good striking of the hooker Johnson he put Walsall under severe pressure.

Walsall were rather nervous and slightly overawed and this combination led to a series of expensive but understandable errors. Surguy had kicked two penalties after half an hour, then Johnson squeezed over from a line-out for a try. Just on the break, Surguy kicked a third penalty to give Northampton a lead of 13 points.

That was far too much to retrieve, and when Goldswain dropped a goal soon after the restart all seemed lost for Walsall. However, late in the first half they had given signs of their intention to run and Tinker their No. 7 especially was troublesome to Northampton's defence. Hamilton Jones had slipped into the line more than once. He had a fine match against Page's aerial bombardment, and his delicate footwork got him and his team out of several threatening situations.

Having been dominated totally in the first half, Walsall suddenly realised that Northampton could be beaten. Their pack, with Knowles, King, Tinker and MacDonald well supported by the others, began to win better possession and Webster got the ball away quickly.

Edwards cut through and Walsall produced a well-organised short-kick move, but Evans could not quite hold the final pass.

Walsall did score after 25 minutes, as Archer ran cross-field, linking with Hamilton Jones, whose final pass to Broadbent was timed perfectly. They scored their second try on the stroke of full-time after thoughtful play from Tinker, Webster and Edwards. Broadbent was again the scorer.

Northampton's experience and bulk saw them through, but they will have to expand their game if they are to go much further in the competition. Admittedly the conditions were dreadful, but Walsall coped with them, and collectively the Walsall backs were far more articulate in their play.

Northampton's restricted play between the pack and Page paid them the dividends they sought, but they can ill afford to neglect two good wings, Bignell and MacGuckian.

Connors regains indoor title

TENNIS

BY JOHN BARRETT

FOR THE SECOND time in three years, Jimmy Connors has captured the U.S. Pro Indoor title, with its first prize of $34,000, and those valuable points towards both the World Series of Tennis and the Colgate Grand Prix, which are united for the first time this year.

In 1976, Connors beat Bjorn Borg for the title; last year Dick Stockton outlasted him in five sets; but yesterday, before a record Philadelphia crowd of 16,673, he regained the title with a zestful 6—2, 6—4, 6—3 win against the No. 16 seed, Roscoe Tanner.

The impressive thing about the result was not that Connors tamed Tanner's mighty hitting in 1 hr. 54 min., for this was his 12th victory in 20 meetings since their junior days, when Tanner used to win.

But few among the packed stands at the huge Spectrum Stadium knew that Connors had had only a few hours' sleep following his semi-final Saturday night, which did not end until 11.30 p.m.

"I got to bed about 4 a.m.," he confirmed later. "But that was early enough. I felt rested—though I don't know what would have happened if we had played five sets."

There was never any danger of that. Although Tanner held six points to break the Connors serve in the 35-minute opening set, he was denied each time by the remorseless accuracy of the U.S. No. 1's driving, and by some loose shots of his own.

Connors's greater pace never allowed Tanner to develop those bruising rallies which had helped him to defeat Borg and Eddie Dibbs this week. Even the 16 aces he delivered were not enough against one of the game's best returners of service.

Connors faltered only once. Serving for the match at 5—2, he was broken for the first time. But this was merely a postponement of Tanner's end. In the next game Connors was thumping back those big serves and forcing more errors from Tanner's lunging racket. Tanner's sole consolation was a cheque for $14,000.

It has been a good week. We have had a record attendance of 86,928 (some 4,000 more than last year) and, except for Guillermo Vilas, every leading player took part.

This win has taken Connors's January earnings to more than $200,000—$195,000 from tournaments and a further $30,000 or so from exhibition matches.

The doubles title, worth $11,500 to the winners, was retained by the South African holders of the Masters title, Bob Hewitt and Frew McMillan. They beat the best of the young Americans, Vitas Gerulaitis and Sandy Mayer, 6—4, 6—4, in 58 minutes.

Allies for Packer

CRICKET

BY HENRY CALTHORPE

AFTER WATCHING two days of the fifth "supertests" in Perth I have come to see the last four days of the fifth Test between Australia and India, still certain that Packer's programme will never threaten Test cricket.

I also noticed in Perth a far different attitude and atmosphere inside World Series Cricket.

Their two evening matches under the floodlights at the VFL Park in Melbourne were more successful than any of WSC's other matches. The organisation and the players are buoyant, and although this represents a tiny success judged on the capital invested or on the crowds attracted by official Test matches to the Melbourne Cricket Ground, it has enabled the Packer lot to believe in themselves at last.

The news that businessmen in Perth and in Sussex are determined to put together their own professional sides which would challenge Packer's players, compounds the threat to established cricket.

It is not impossible to see some sort of super league being formed. Packer would obviously welcome any such groups, because they would bring competition to his own players, who are involved in a seemingly sterile form of cricket, where results matter only to the winners of the prize money.

I understand that there have been talks about a transfer system, as in Soccer.

It seems likely that the new matches will be one-day games, under floodlights where possible. I was told that matches between groups would consist of three one-day games on successive days for prize money of $A33,300.

Two Sussex businessmen have apparently arranged to use a county ground in "Central Southern England," and I heard that they will try to attract players who have good county records but have just failed to make the Test side. Apparently their cricket will first be televised by Trident Television, which owns, among others, Tyne Tees and Yorkshire Television.

Night Nurse back on duty

BY DOMINIC WIGAN

NIGHT NURSE gave clear warning in Doncaster's William Hill Yorkshire Hurdle on Saturday that he is again the one they all have to beat for this year's Champion Hurdle.

Showing all the courage which has been the hall-mark of his career, Night Nurse got up in the final three strides to wear down Birds Nest, who had looked all over the winner in the last half-mile.

Although I have little doubt that Birds Nest (rated by Bob Turnell well in front of his 1966 champion, Salmon Spray) is a more talented hurdler than Night Nurse, there is no escaping the fact that he becomes an almost unmanageable ride through hanging when driven out. This looks like preventing him from landing the hurdling crown.

NOTTINGHAM

1.30—Richard Grenville
2.00—Bucks Head
2.30—Rotomar Boy
3.00—Modesty Forbids
3.30—Posh Sarge
4.00—Cannon of Million

TV/Radio

† Indicates programmes in black and white

BBC 1

9.38 a.m. For Schools, Colleges. 11.45 You and Me. 11.22 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bod. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 Barbapapa. 4.25 Jackanory. 4.40 Hunter's Gold. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News
5.55 Nationwide (London and South-East only)
6.20 Nationwide
6.50 Ask the Family
7.15 Blake's Seven
8.10 Terror International (investigation in two parts into terrorism)
9.00 News
9.25 Terror International, part 2
10.05 The Monday Film: "The Night They Raided Minsky's" starring Jason Robards and Britt Ekland
11.40 Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.50-7.15 Heddiw. 11.40 News and Weather for Wales.

Scotland—10.00-10.20 a.m. For Schools (around Scotland). 5.55-6.20 p.m. Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 a.m. Play School
3.00 p.m. Wordpower
3.30 Children Growing Up
4.00 The Object of the Exercise
7.00 News on 2 Headlines with sub-titles
7.05 Ancestral Voices
7.30 Newsday
8.10 International Cabaret
9.00 Americans, part 3
9.50 Marie Curie, part 3
10.45 Just a Nimmo
11.15 Open Door
11.40 Late News
11.45 Tele-journal

LONDON

9.30 a.m. Schools Programmes. 12.00 Noddy. 12.10 p.m. Rainbow. 12.30 Indoor League. 1.00 News plus FT index. 1.20 Help. 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: "Border River." 3.50 Couples. 4.20 Clapperboard. 4.45 The Flockton Flyer. 5.15 Pauline's People.
5.45 News
6.00 Thames at 6
6.40 Help
6.45 Opportunity Knocks
7.30 Coronation Street
8.00 Miss Jones and Son
8.30 World in Action
9.00 Hazell
10.00 News
†10.30 The Big Film: Roman Holiday, starring Gregory Peck and Audrey Hepburn
12.35 a.m. Close: Readings by Geoffrey Hinsliffe from Peter de Rosa's A Bible Prayer book for To-day.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 2.25 Tandarra. 3.20 Arnie. 5.15 University Challenge. 6.00 About Anglia. 10.30 Wish You Were Here. 11.00 Mystery Movie: Amy Prentiss. 12.25 a.m. Reflection.

ATV

12.30 p.m. George Hamilton IV. 1.20 ATV Newsdesk. 2.25 Movies to Remember: "Interval," starring Merle Oberon. 5.15 University Challenge. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Bless This House. 11.30 A Prime Minister on Prime Ministers. 12.00 Something Different.

BORDER

12.30 p.m. All About Babies. 1.20 Border News. 2.00 Houseparty. 2.25 Monday Matinee: "The Girl Most Likely To . . ." 5.15 Garnock Way. 6.00 Lookaround Monday. 6.15 University Challenge. 10.30 Border Month. 11.15 Film: "Young Fury," starring Rory Calhoun and Virginia Mayo. †12.30 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 2.25 The Monday Matinee: McMillan and Wife. 5.15 University Challenge. 6.00 Channel News. 6.10 Cartoontime. 10.28 Channel Late News. 10.32 Steal Away. 11.00 Late Night Movie: "Picture Mommy Dead." 12.25 a.m. Channel Gazette followed by News and Weather in French.

GRAMPIAN

9.25 a.m. First Thing. 12.30 p.m. Being a Child. 1.20 Grampian News Headlines. †2.25 Monday Matinee: "The Frozen Limits," starring The Crazy Gang. 5.15 University Challenge. 6.00 Grampian Today. 6.10 Electric Theatre Show. 6.40 Help! 10.30 Reflections. 10.35 Feature Film: "Get Carter," starring Michael Caine.

GRANADA

12.30 p.m. All About Babies. 1.20 Dodo. 2.25 Monday Matinee: "Murchison's Creek." 5.15 University Challenge. 6.00 Granada Reports. 10.30 Reports Politics. 11.00 Mystery Movie: McMillan and Wife.

HTV

12.30 p.m. Gardening My Way. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.25 Rush. 3.25 Survival. 5.15 Mr. and Mrs. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "A Fine Madness," starring Sean Connery.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

1.25 p.m. News and Road Report. 12.25 Monday Matinee: "Charley's Big Hearted Aunt," starring Arthur Askey. 5.15 University Challenge. 6.00 Scotland Today. 6.30 Crimedesk. 10.30 The Big Break International. 11.00 Master Golf. 11.30 A Prime Minister on Prime Ministers. 12.00 Late Call. 12.05 a.m. The Burns's Grand Masters Darts Championship.

SOUTHERN

12.30 p.m. Farm Progress. 1.20 Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "Orders are Orders" starring Margot Grahame. 5.15 Mr. and Mrs. 6.00 Day by Day. 10.30 Afloat. 11.00 Southern News Extra. 11.10 Bill Brand.

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 12.30 p.m. All About Babies. 1.20 North East News and Lookaround. 2.25 Power Without Glory. 3.20 Generation Scene. †3.35 The Little Rascals. 5.15 University Challenge. 6.00 Northern Life. 6.40 Police Call. 10.30 Northern Scene. 11.00 Monday Night Movie: "Rattle of a Simple Man" starring Harry H. Corbett and Diane Cilento. 12.40 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 2.00 See You Monday. 2.30 Monday Matinee "Checkpoint" starring Stanley Baker and Anthony Steel. 4.18 Ulster News Headlines. 5.15 University Challenge. 6.00 Ulster Television News. 6.05 Upsquares and Down. 6.30 Reports. 10.30 Two at 10.30. 10.35 Monday Movie, followed by Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Monday Matinee: McMillan and Wife. 5.15 University Challenge. 6.00 Westward Diary. 6.20 Sports Desk. 10.28 Westward Late News. 10.30 Steal Away. 11.00 Late Night Movie: "Picture Mommy Dead" starring Zsa Zsa Gabor. 12.25 a.m. Faith for Life.

YORKSHIRE

12.30 p.m. All About Babies. 1.20 Calendar News. 12.25 Monday Film Matinee: "Charley's (Big-Hearted) Aunt" starring Arthur Askey and Richard Murdoch. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 The Savage West: "Ride Beyond Vengeance" starring Chuck Connors.

RADIO 1 — 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 BBC Northern Radio Orchestra (S) (joins Radio 2). 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF Radios 1 and 2: 6.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 — 1,500m and VHF

6.00 a.m. News Summary. 6.02 Ray Moore (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan, including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 12.55 FA Cup Draw—fifth round and 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 BBC Northern Radio Orchestra (S). 7.30 Alan Dell: 7.30 The Dance Band Days, 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 You've Got To Be Joking. 10.30 Star Sound. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 — 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: Finzi and Moeran (S). 9.45 Talking About Music (S). 10.15 Bach harpsichord recital (S). 10.55 Academy of St. Martin-in-the-Fields, part 1 (S). 11.35 In Short (talk). 11.45 Academy of St. Martin-in-the-Fields part 2 (S). 12.25 p.m. Festive Madrigals (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.05 St Albans 77 (S). 2.50 Matinee Musicale (S). 3.50 Haydn String Quartets. 4.30 New Records of music by Gimenez, Villa-Lobos (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Home and Family. 7.30 BBC Scottish Symphony Orchestra, part 1: Haydn, Mahler (S). 8.15 A Jew in Cairo: "Salaam"—"Shalom" (talk by Michael Elkins). 8.25 BBC Scottish SO, part 2: Ravel, Debussy (S). 9.15 Pictorial Calendar: Terence Tiller (poetry readings). 9.45 Janacek: piano music for left hand. 10.10 Plainsong and the Rise of European Music (S). 10.45 Music in our Time by Andriessen (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song.

RADIO 4

434m, 330m, 285m and VHF

1 Medium Wave only

6.15 a.m. News. 6.17 Farming Week. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Ray Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker (only from 9.45). †10.00 News. †10.05 Wildlife. 10.30 Daily Service. †10.45 Morning Story. †11.00 News. †11.05 The Night the East Coast Sank. †11.50 Announcements. 12.00 News. 12.02 p.m. You and Yours. 12.27 Top of the Form. †12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00) including 2.00-2.02 News. †2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news. (VHF) Regional News. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.15 Speaking for Myself. 9.30 Today in Synod: Report on the General Synod of the Church of England. 9.35 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Through African Eyes: Bridget Bloom talks to both black and white people about racial conflict. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.05 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Weekly Echo. 9.30 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 Breakthrough. 10.03 Late Night London. 12.00—Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

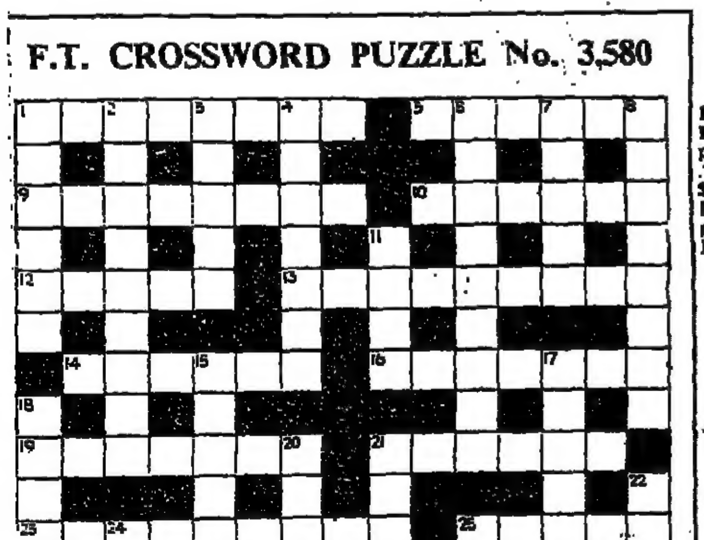
5.00 a.m. Morning Music. 6.00 A.M.—non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'clock Call. 8.00 After 8—with Ian Gilchrist. 9.00-1.00 a.m. Nightline.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'clock Thrill (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Jonathan King (S). 11.00 Tony Myatt's Night Flight (S). 2.00 a.m. Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,580



ACROSS

Buy tea in a bag (8)
Refrain about the ancient god (6)
Had a good meal—in bed? (6, 2)
We had the gaiety at his ball (6)
A 50 per cent. chance smooths things out (5)
Looked after by the self-centred (6, 3)
Fashion can be found in any man's name (6)
Sums for doctor among relatives (7)
Corresponds to the solutions (7)
The yarn sounds severe (6)
Free entertainment designed, we hear, for the management (9)
Junior after a degree becomes a member of a fraternity (5)
"—— were his looks, sharp misery had worn him to the bones" (R and J) (6)
Cherub or possibly a pamphlet (8)
N.W. dialect to immerse about a hundred (6)
29 Hypocrisy indeed can be poured off (8)

DOWN

1 To shoot her might cause commotion (6)
2 Rare cents for cravens (9)
3 Inclines to cads (5)
4 A trip with the marshal in the copse (7)
6 Plant the ancients considered a cure for insanity (9)
7 Hamlet character shows no surprise in proportion (5)
8 "And catch with his —— success" (Macbeth) (8)
11 She follows Pip in the afternoon (4)
15 Proposals before the curtain goes up (9)
17 Wants wine in time of diabolical impulsion (5, 4)
18 Games in dad's day (8)
20 Favourites come up apace (4)
21 The circle has a bed on the lake (7)
22 Mean number in the American state (6)
24 Here we have time to muse (5)
25 Time for tea? No, coffee (5)

Solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Festival Hall

Polish Radio Orchestra

by ARTHUR JACOBS

If the extent of a conductor's gyrations and gesticulations on the rostrum could measure the quality of an orchestra's performance, then the Polish Radio Symphony Orchestra would have hit the heights last Friday. Jerzy Maksymiuk displayed some contortions not even anticipated by Hoffnung, and his actual mileage—in steps backward, forward and sideways — must constitute a track record.

To no avail, however. The orchestra's performance of Chaikovsky's Fourth Symphony was among the dullest and least differentiated I have heard, scarcely making impact until the cymbal-clash which opens the finale. The brass appeared to have been beaten into submission in advance, and the first oboe's introduction to the slow movement (which can be phrased so individually and so beautifully) was delivered like a string of sausages.

The overture to Glinka's *Ruslan and Ludmilla* was raced headlong, perhaps in emulation of the current fashion of Russian conductors. But with blobs from the woodwind and snatched tone from the strings, the effect was both to emphasise the orchestra's deficiencies and to minimise the genuine musical content of this famously exhilarating piece.

The approach of Konstanty Kulka, the young Polish violinist, to the Mendelssohn concerto seemed to stem from an anxiety to avoid the suggestion of mere superficial prettiness which can attach to this work. But his heavier and more urgent way of playing it, lending the finale the impetus of a cavalry charge, was not persuasive. I admired a security of technique which might be better displayed in a later period of music.

Indeed, it is announced that Mr. Kulka is to play both Szymanowski's First and Second violin concertos elsewhere on the Polish orchestra's tour of Britain, and that the orchestra is to play Shostakovich. Why then this over-conventional programme for London, allowing only the unfortunate comparison of this orchestra and conductor with those of the highest celebrity?

Presumably the orchestra's London impresario had advised that, while the provinces hunger for orchestral concerts, London is so over-stuffed with them that only the most desperate box-office bait can attract an audience. The sad thing about this reasoning is that it may well be true.

St. John's, Smith Square

Saltarello Choir

by DOMINIC GILL

Our most adventurous amateur choir, the Saltarello, included a new work in their programme on Thursday evening commissioned from the German composer Rolf Gehlbaar. The verbal text of *Isotrope* deals with two related theories concerning the evolution of the universe; and both are reflected in the musical structure—in a "transition from low and dark to high and bright sounds and from abstract to verbal and back to abstract," and in the music which flanks this central transitional section, governed by two sets of mathematical proportions, increasing and decreasing.

The structural mechanism is complex; but the effect in performance is refreshingly uncomplicated—a dramatic study for 32 *a capella* voices (reinforced from time to time by chromatic pitch pipes), 14 minutes long, which investigates a wide range of "modern" vocal techniques without ever succumbing to the easy temptations of sub-Ligeti cliche or sound-effect catalogue-making. An interesting, imaginative piece—sensitive in its movement, toughened by some vivid juxtapositions, notably of contrasting textures, conceived by the composer in two kinds, a lighter, open-weave counterpoint of "groups," and a denser cloud-mass of "fields."

A good first performance, too, of an exceptionally difficult score, given by the Saltarello with admirable enthusiasm and dedication. I hope they keep it in their repertory. Richard Bernas conducted: as he did also, with precise vigour, the rest of the evening's programme—a characteristic mixed bag of early and modern rarities, from the solidly harmonious *Fest- und Gedenkspruche* of Brahms and the *Choere fuer Doris* (curiously effective sentimental alchemy of Mahler and Berg) by the young student Stockhausen, to a strong account of Schuetz's *Musikalische Exequien*, delivered with confidence and style.

Elizabeth Hall

Monteverdi Orchestra

by NICHOLAS KENYON

Not a note of Monteverdi in his eponymous orchestra's tenth anniversary concert on Friday night; instead of early baroque, there was a programme of suitably unalloyed festivity by the three greatest of late baroque composers. It's a touch paradoxical that perhaps John Eliot Gardiner's most permanent achievement over the past decade, with this orchestra and with his Monteverdi Choir, has been to re-establish—not Monteverdi, nor his contemporaries, but a later figure—Rameau, in the place where he rightfully belongs, beside Bach and Handel.

In 1975 Gardiner presented the first-ever (and so far the only) performance of Rameau's last opera *Les Boreades*—certainly one of the most consistently rewarding and exciting evenings I've spent in a concert hall. That success was recalled with a suite of the ravishingly scored dances from the opera, and with another set from the better-known *Hippolyte et Aricie*. Though the poundingly rhythmic Rigadouns and Contredanses caused the most excitement in a crowded and appreciative hall (with Gardiner's celebratory tempi creating the impression of an 18th-century knees-up), the orchestra was equally poised and idiomatic in an exquisite Entree from each opera: the dark tragic fugue for Phedre in *Hippolyte*, and the suspension-laden chain of lyricism for Polymnie in *Boreades*.

Handel's style has always seemed perfectly suited to Gardiner's thrusting, forward-moving beat, and the Concerto a due cori in F provided an ideal demonstration both of this and of orchestral players' individual virtuosity—splendidly vital solo horn and oboe playing over Handel's effortlessly extended ground bass in the fourth movement. In Bach, the densely woven lyricism of the music perhaps needs more time to breathe than Gardiner allows: even with the highly musical Neil Black in the Concerto for oboe d'amore, and the attractive novelty of a horn (Ifor James) instead of the usual trumpet in the Second Brandenburg, both pieces sounded more rushed than enlivened by the celebratory spirit.

Still, a highly enjoyable demonstration of English orchestral versatility at its stylish best.

Barclays Bank sponsors 'The Boy Friend'

The Marlowe Theatre has announced that Barclays Bank is to sponsor the Canterbury week of *The Boy Friend*, from February 14-18. This will be the third production at the Marlowe to be supported in this way—Barclays sponsored the theatre's productions of *Joseph and the Amazing Technicolor Dreamcoat* in 1975 and 1976.

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Avril Carson and Judi Dench

Leonard Burt

Aldwych

The Way of the World

No one denies that the plot of Congreve's great comedy is hard to follow. John Barton, in his splendid production for the RSC, has done much to make it easier. The opening conversation between Mirabell and Fainall is spoken by Michael Pennington and John Woodvine almost as if it were directed at the audience to explain what is to come—though at no cost to the elegant language in which it is couched. I doubt if a newcomer to the play could really absorb much of the complicated relationships revealed, even with the aid of the family tree thoughtfully included in the programme, but *it is a good start*.

From this crystalline beginning the action builds up in a kind of dramatic crescendo where the comedy becomes more and more free as the tale becomes more and more elaborate. The great classic scenes—Lady Wishfort at her toilet, Mirabell's proposal to Millamant, and so on—are beautifully played, yet they do not seem like "turns" in the smooth continuum *where the detailed excellence of* even the smallest points holds the attention fast.

The décor and the admirable costumes are by Maria Bjornson. Furniture, screen and a balustrade around that tiresome balcony left over from the Aldwych's attempt to be the Globe make up all the scenery—quite enough save in Act One, where the chocolate-house looks as forbiddingly bare as if the Aldwych had now decided to become the Warehouse. The songs are most naturally integrated into the action: even Sir Wilfull Witwoud's outbursts are heard with *patience by the company*, for that rustic knight is allowed enough decency by Bob Peck under his country gaucherie to emerge as a kind of gentleman.

One of the joys of the play, indeed of most Restoration plays, is that ~~hero and heroine are~~ mature, adult, experienced people rather than the ingenus of either sex that came in with the matinee idol cult. Judi Dench, looking unusually tall *and even slim*, gives Millamant a knowing face and a knowing voice, superbly interpreting her silliness, her instant self-contradictions, even her giggles, as part of a deliberately put-on personality.

Woodvine's Fainall, cool and Mirabell, in Michael Pennington's hands, is as serious and reserved a character as John thoughtful, a mile away from the silly wits, whether he is organising the cruel deceit of Lady Wishfort or resolving the matter of Mrs. Fainall's estate. The scene in which he and Millamant exchange terms for their *betrothal is played quietly and* intimately, and although Millamant seems to be making all the conditions Mirabell is in charge.

The out-and-out comic figures are all given their measure of dignity—all, that is, but Nickolas Grace's nimbly shining Witwoud, where Congreve has firmly left that quality out. Beryl Reid's Wishfort is the relic of a handsome lady. She excels in the scene at her dressing-table, where she is given uncommonly good support from Bobbie Brown as her maid; but elsewhere when she is coping with drunken Sir Wilfull for instance, she is still mistress in her own house and human enough to earn some sympathy for the universal mockery she attracts.

Mrs. Fainall is very coolly played by Carmen du Sautoy, a quality emphasised by the plainness of her costumes. In contrast, Marjorie Bland's Mrs. Marwood, dark hair curling around her face like gorgon-serpents, has something of the witch blended with *her social charm*. The servants Foible, Mincing and Waitwell are sharply individualised; I only quarrel with Waitwell's standing with his hands in his pockets as he talks to Mirabell. Perhaps he is practising impertinence for his pretended gentility later.

B. A. YOUNG

Elizabeth Hall

Theodora

by MAX LOPPERT

That particular quality we deem Gluckian—that elevated, rarefied plainness, musical and dramatic, in which everything inessential has been stripped away from the melodic line in which is revealed a grand and tragic conflict of the soul—belongs quite as much to Handel, as the second act of *Theodora* so powerfully reminded us in Saturday's performance of the penultimate of his English oratorios. Yet if in this Handel of old age the musical language of a character striving to be absolute for death is refined to an almost unbearable degree of pathos in the linked sequence of arias for the imprisoned Christian heroine, Handel's range, throughout this oratorio as throughout his works is broader than Gluck's. The Romans in *Theodora* and the Scythians in *Iphigenie en Tauride* may serve a not dissimilar dramatic function; but Handel's pagans are joyously characterised, and Gluck's hardly at all.

The latter composer and his opera were kept in mind on Saturday because for their titular heroines the recent Kent Opera production of Gluck and this Handel Opera Society *Theodora* had both commanded the services of that outstanding young soprano and mistress of classical and *opera seria* roles, Eiddwen Harrhy. And also, perhaps, because on this occasion *Theodora* proved itself a "problem" work to perform—a piece crucially dependent on the comprehension and stylistic mastery of its interpreters—as are in some degree all the great Gluck *tragedies lyriques*. After the performance voices were to be heard declaring that (notably by Winton Dean, in his programme note and in his study of the Handel oratorios) the work is over-rated: that there is too heavy an abundance of slow music; that the Roman and Christian worlds are too schematically depicted; and that a little of the sanctimoniousness of Morell's libretto has seeped into the musical invention.

For myself I believe that the music was made to seem this way, as Gluck's can seem, because of an incompletely realised performance. Grateful as one may be (as always) to the Society and to Charles Farncombe for the revival, it was one of the conductor's readings of Handel under-characterised and under-articulated at all points of the work's emotional and dramatic scale. The blithe delights of the Roman chorus were diluted by infirm choral tone (the thready tenors and basses showing through a little too frequently for comfort); while Mr. Farncombe was only intermittently able to unfold and sustain with unfailing amplitude the minor-key profundity of the Christian arias and choruses. The egregious employment of solo violin and *a cappella* choral effects were intrusively sentimental "Victorian" in a manner curiously out of keeping with the careful attention to appoggiaturas (though a few key cadential ones were still missing) and dotted rhythms.

But still the work moved me deeply, and most of all when Miss Harrhy was singing, with her wonderful way of uniting beautiful presence to beautiful, steady, nobly sustained line, with her care for the finish and the colour of each word, with her magical gift of making a *diminuendo* a passionate emotional gesture that in no way disturbs the shapeliness of the phrase. There was an edge to the high notes, once or twice uncomfortable, that this artist turned to the advantage of the music. As Didymus, Johanna Peters was eloquent in her intentions without always mustering a sufficiently full swell of tone on which to convey them. There was more of that in Helen Attfield's clear contralto — she made much of Irene's "Defend her, Heaven." Philip Langridge, in robust form, deserved a fuller share of Septimus's music than he was given: as the performance ended at 10.10, well before overtime payments are demanded at the Elizabeth Hall, the amount of cutting seemed to me unjustifiable.

Elizabeth Hall

Beaux Arts Trio

by MAX LOPPERT

I have heard the Beaux Arts Trio often, but never in more splendid form than yesterday afternoon. The opening performance of Haydn's G major Piano Trio (Hob. XV no. 25), sustained so rapt and enchanted a level of musical discourse, that one feared a peak had been reached too soon from which the rest of the recital must inevitably decline. Not at all: though the requirements of greater physical robustness and an enlarged scale of dynamics in the Brahms C minor Trio, Op. 101, and Dvorak's F minor Trio, Op. 65, occasioned passing touches of wiriness from Isidore Cohen's violin when climbing *in altissimo*, the intimate, civilized and passionate communication which is the essence of chamber music was invoked throughout, and on familiar music shed illumination of the rarest kind. To hear the equipoise of instruments even in Brahms's thickest first-movement textures, you would think the Elizabeth Hall acoustics were entirely unproblematic.

Singling out a member of a closely attuned ensemble is always an invidious business. Even so, it soon seemed apparent that the very special tone of these performances was being set once again by Menahem Pressler, a protean chamber pianist, so light and iridiscent in Hadyn that for the moment we forget that he plays not on an instrument of Haydn's day but on a modern Steinway grand; warmly in command of the Brahmsian surge without ever submerging his partners; and capable of changing the very timbres of his tone colours in Dvorak so as to put to flight Alec Robertson's charge that in this work the composer "has put on . . . fetters stamped with the name of Brahms."

In the first movement of the Brahms trio, the opening pages always appear to lie awkwardly under the hands of each instrument, and even this super-sensitive attention to dynamic markings was unable to make all the varieties of rhythmic figuration "fit" with complete comfort. But elsewhere, notably in the *Andante grazioso*, the material sounded supremely apt to the instruments. One of the most treasurable features of the playing was the perfect purity of accord in unisons and in melodies set apart by thirds or sixths, and then the blossoming of individual personalities when melodicimitations take over. This is a *gift* on which Dvorak's lyricism thrives: the penultimate *meno messo bars*, in major key of the last movement carried so rich and heart-easing a message of contentment that they all but obliterated the effect of some note-spinning earlier on in the movement.

Orange Tree, Richmond

Cast Off

by MICHAEL COVENEY

Staking conflicting claims over a patch of land, David Cregan's characters are a comically remote bunch. The interests of a rather genteel trio of meths drinkers are protected by an insufferable social worker, Sarah (Liz Crowther), who loves society's cripples and proves it by giving them small tins of baked beans. She goes further, though, when big business comes on the scene and puts pressure on the council's planning committee to release the site for office development. She rejects "everything bourgeois" and goes to live with the tramps, setting up home in a tent for herself and baby. The tramps continue to make do by huddling together among oil drums and planks of wood.

None of this is presented with any realism by Mr. Cregan or his director, Sam Walters. They seem to be more interested in the cliches and grace notes of the debate than in the actual fate of characters. Sarah remains unlikely to the end, no less of a pain when asking for divine confirmation of her mission than when declaring she is off to Naples to study poverty. The rubbish tip itself, as well as being coyly inhabited, is never described in the play (let alone by the design) so we never actually know what sort of place we are dealing with. Except that it is somewhere north of Watford.

The play broadens a little to include neatly written scenes at the planning committee and in the office of a condescending manager of one of the competing firms. The latter character is ably drawn by Geoffrey Beevers, also doubling as Sarah's chinless boy friend, an accountant who gets sucked into the big business farce before doing the right thing by asserting his paternal rights and envisaging on the site an international centre for meths drinkers. It is all fairly tame liberal fun, but I wonder what the residents of, say, Itchy Park in Whitechapel would think of it as a dramatisation of their plight.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000

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Indigestion in the markets

DURING the last week or two an apparently contradictory trend has developed in the securities markets. In the real world there has been growing confirmation that the Government's policies of restraint are producing their desired results. The rate of inflation is falling rapidly, pressure on the wage front is abating, and the outlook is for relatively subdued growth. The December money supply figures, though mildly disappointing some City commentators, have scotched any idea of a monetary explosion. Yet the market in Government securities, which one might expect would welcome these developments, has displayed only sullen inactivity.

Two reasons

There seem to be two reasons for this: the technical condition of the market itself, and the welcome unfamiliarity of the economic background. The market is at the moment overbought; the investment institutions, after absorbing the unprecedented flow of new issues in the long bull market of 1977, is now somewhat overloaded with Government stock. The reason is straightforward enough: over the three months or a little less since sterling was floated, the enormous inflow into sterling between July and October has continued to trickle through to the domestic money supply. The market is being asked to fund not only the Government's much reduced borrowing requirement, but the enormous rise in the reserves, or a large part of it, and the pace has been excessive.

Even if the situation were totally calm, this would produce the normal symptoms of a buyers' market—slow sales of new stock, interrupted by efforts on the part of the jobbers to pull the market on to a more attractive yield basis. However, the situation has not been calm. There is much uncertainty about the continuing dollar crisis, and there has been recent evidence of a quite sharp recovery in consumer spending. The market seems at times to have responded by shying at phantoms, responding to these developments as if we still had a weak currency and a domestic credit demand which was posing problems for the authorities. In present circumstances, however, news can mean exactly the opposite of what it would have meant in, say, 1976.

The dollar situation is the clearest example. In the past, the gilts market has had to offset the results of excessive domestic credit creation inside the U.K.; but since last summer, it has in effect been asked to offset part of the excessive credit creation of the U.S. banking system. It is the U.S. banks which have financed the vast outflows which have depressed the value of the dollar, and the Bank of England and other central banks which have offset these outflows through their interventions in the currency markets. In these circumstances any action on the part of the Federal Reserve Board to tighten domestic credit will help to stabilise the credit system all over the world: yet the market reacted last week as if a rise in New York rates would inevitably pull up London rates in its wake. The truth is quite the opposite: in any but the shortest run, a stabilisation or a reflow of dollars would help to relieve the pressure for official funding in London.

The Chancellor

Again, the rise in consumer spending in Britain has led a number of commentators to forecast a sharp rise in the demand for bank credit; but this ignores the aftermath of the long recession in the U.K. Consumers at the moment can finance a rise in spending out of higher real incomes and a rise in their liquid resources, while the rise in turnover will actually improve the short-term position of the company sector. In the U.S. this unwinding process was enough to finance two years of recovery without strain on bank credit, and the initial effect in the U.K. seems certain to be similar.

It may be some weeks yet before the flow of funds in the securities market balances the day-to-day situation; but the underlying economic signs continue to point to a fall rather than a rise in interest rates, provided only that the dollar situation does not further deteriorate and that the Chancellor does not allow the temptation of an election Budget to go to his head.

Mending fences in France

IN PRESENTING his voting recommendations to the French people for the forthcoming General Election, President Giscard d'Estaing has delivered a speech that has been widely acclaimed as his best since he took office in 1974.

His lengthy analysis of the "right choice" for France in the crucial mid-March poll, delivered in Burgundy at the end of last week, has impressed many of his former critics. In practice, his remarks were devoted as much to the "wrong choice" as they were to the right one. A central theme of his speech was the threat of economic chaos if the Left were to win the elections. By issuing such a warning, however, he has pinned his colours much more firmly than many people had expected to the mast of the ruling Centre-Right coalition.

Constitution

At the same time, he has tried to clarify the constitutional role of the presidency in response to Socialist accusations that he is acting as both referee and captain of one of the teams in the electoral contest. The President, in M. Giscard d'Estaing's view, is not a party leader or partisan to one side. He "cannot remain indifferent to the fate of France" and would be rightly denounced as lacking in courage if he did not speak out.

This is unlikely to be a good enough explanation for M. François Mitterrand, the Socialist leader who could well be France's next Prime Minister. President Giscard d'Estaing has, however, clearly answered allegations that he might use the powers of the presidency to try to sabotage the introduction of Socialist policies if the Left wins. That is now firmly stated. Is out of the question.

In making such a statement, M. Giscard d'Estaing is, presumably, intentionally, drawing attention to the sort of difficulties that would arise if the Left comes to power. The French Constitution does not adequately provide for a situation in which a President elected on the basis of his own programme is faced with a Prime Minister elected on a quite different one. M. Giscard d'Estaing's only hope might be to give a Left-wing Government enough time to run into serious difficulties and then call another election. But it is still far from clear what a Left-wing Government would look like.

M. Georges Marchais, the Communist leader, in another change of tack, is now maintaining that a Left-wing Government would include Communist Ministers—a prospect that M. Mitterrand has said he would welcome. There is no evidence, however, that Socialists and Communists would find it any easier to agree on a common programme once in Government than they have in Opposition.

Nevertheless, both sides now seem to be becoming increasingly worried at the electoral consequences of their sharp internal divisions—even though, if the opinion polls are to be believed, the split on the Left is doing less damage than the rift between Centrists and Gaullists on the Right. President Giscard d'Estaing, by coming down so firmly in favour of the governing majority, is clearly hoping to restore greater unity to its ranks. The Gaullists, under M. Jacques Chirac, have long been pressing him to make just such an explicit commitment.

Six weeks

The question is whether M. Giscard d'Estaing may not have fired off his big guns too early. There are still six weeks to go until the elections, and the undoubted impact of Friday's speech may well have been dissipated long before then. On the other hand, the President obviously felt the time had come to make a major move to try to mend his fences with the Gaullists.

M. Chirac has already welcomed the speech, claiming that it is just what the Gaullists have been saying all along. All is not yet lost for the Government. Enough voters may once again heed President Giscard d'Estaing's warning to deny the Left victory at the last moment. But with the opinion polls consistently showing the Left in front it is going to be an uphill battle.

LORD RYDER ABOUT LEYLAND STRUCTURES IN APRIL 1975

"... the creation of a single integrated car business as a separate profit centre within the Corporation would best serve the interests of BL in the future. We recognised the strength of the arguments which have preserved the separate identity of the Rover Triumph and Jaguar divisions since the merger—the need to preserve the distinctive product identity of the "specialist" cars and the loyalty of employees at all levels within these divisions to the old company structures. BL cannot, however, compete successfully as a producer of cars unless it can make the most effective use of all its design, engineering, manufacturing and marketing resources. BL cannot afford to develop, produce and market competing models. It must use the minimum possible number of different body shells, power and transmission units and components. Manufacturing facilities must also be deployed flexibly. We do not believe that these policies can be satisfactorily implemented with a structure under which Austin Morris, Rover Triumph and Jaguar are separate entities. Under the product-based approach the task of coordination between the various car operations would, as now, be a matter for the managing director, the corporate staffs and committees. We do not believe this arrangement has worked satisfactorily in the past and it would be even less likely to operate satisfactorily if, as we believe is essential, the car divisions were genuine profit centres."

Unscrambling Leyland again

BY TERRY DODSWORTH AND GEOFFREY OWEN

AMONG THE things which have gone wrong with the car side of British Leyland since the creation of the company in 1968 most people would single out industrial relations and the weakness of the product range. But it is arguable that an equally serious problem has been the continuing uncertainty over organisation. Several different structures have been tried and none of them have lasted more than two or three years, with damaging consequences for morale and management performance. Now another upheaval is under way.

Three years after Lord Ryder introduced a centralized structure for Leyland Cars, Mr. Michael Edwardes seems determined to unscramble it. Just as a number of able senior executives resigned because they disagreed with Ryder, so now another group of managers is trooping out because they do not like what Mr. Edwardes is doing.

It is easy for outsiders to criticise this chopping and changing, but the size of the task must not be underestimated. Unlike Ford U.K., British Leyland was born out of a number of mergers none of which had been properly digested. It has not been easy to reconcile the need for economies of scale and hence for centralisation of certain functions (which was, after all, the main argument for the 1968 merger) with the need for operating units which are small enough to be managed effectively.

The first step after the 1968 merger was to create five divisions, although for some time this structure was more apparent than real, since the old companies continued to behave like independent kingdoms.

The five divisions were:

● Special Products—the non-automotive businesses such as fork lift trucks;

● Truck and Bus;

● Specialist Cars—later divided into Rover-Triumph and Jaguar;

● Austin Morris and Manufacturing Group—which besides designing, making and selling Austin-Morris vehicles, supplied bodies, engines and components to other divisions;

● International—responsible for the sale of British Leyland cars in the divisions, was to take charge of all the Corporation's overseas selling and manufacturing activities.

In 1973 this organisation was modified. Two volume manufacturing divisions were split off from Austin Morris—one for body and assembly, the other for power train and transmissions. The idea was to put more management effort into manufacturing (which certainly needed it) and let the product divisions get on with the job of designing and selling the vehicles. At the same time the corporate staffs at the centre were enlarged.

When Lord Ryder came on the scene, he and his committee considered the possibility of separate profit centres for Austin Morris, Rover-Triumph and Jaguar, but concluded, for the reasons set out in the inset at the top of the page, that a single integrated structure was essential.

Under the Ryder plan four profit centres for the Corporation as a whole were set up — Cars, Truck and Bus, International and Special Products. Apart from the integration of Cars (which caused several managers in Rover-Triumph and Jaguar to leave), another controversial decision was the retention of International as a separate profit centre. Some argued that since Cars and Truck and Bus were supposed to be designing and making cars for world markets, they should be directly involved in overseas marketing. However, International existed and was working reasonably well; it was probably better to delay any change at least until Leyland Cars was working smoothly.

Some people believe that the concept of Leyland Cars was sound, but that the implementation was too hasty, too drastic and badly planned. Several executives were promoted into jobs which were very much larger in scope and responsibility than their previous ones and the division's performance suffered as a result. Yet a good deal of progress towards integration was made—in product planning, in component standardisation and in market-ing.

Nevertheless, it was clear to the Government and the National Enterprise Board during 1977 that the Corporation as a whole, and Cars in particular, was not achieving the improved performance which the Ryder plan had envisaged. So they did what Lord Ryder had done three years earlier—appointed a new chief executive.

Mr. Edwardes has tackled the organisational issue as a top priority. He has made no secret of his preference for a highly decentralised structure, switching all responsibility for day-to-day decision making away from the centre. This will mean establishing at least three separate companies based on the old Austin Morris division and Jaguar/Rover/Triumph (they are already known as AM and JRT within Leyland) plus a parts and components organisation which will include foundries. Consideration is even being given to the idea of separating Land-Rover/Range Rover production within the JRT company, and to hiving off the old Pressed Steel Fisher body-making activities within the components group.

Argument rages

Since this concept of decentralisation was first aired by Mr. Edwardes, a fierce argument has raged within the Cars Division. The three executives chiefly involved in bringing together the present structure—Mr. Derek Whittaker, managing director of Leyland Cars, Mr. Keith Hopkins, sales and marketing director, and Mr. Geoffrey Whalen, personnel director—have all resigned. But even within the Cars Organisation Committee, which Mr. Edwardes set up to look at the structure of Leyland Cars, there have been strong doubts about his ideas.

The objection is based on the belief that the motor industry lends itself to functional, centralised organisation because of the scale on which it needs to operate. In most of the world's large motor companies this is the preferred system of management. This way, the companies argue, they are able to achieve economies of scale in design, marketing and manufacturing economies by spreading all these costs over a wide range of product and by making their vehicles and components on a very large scale.

In effect, the functional structure leads to all the major strategic decisions, especially on products, being taken at the centre. In Ford of Europe, for example, the main operational board is composed of vice presidents responsible for all significant activities, from marketing and product development to finance, engineering or component supply. The factories are simply production units run by executives whose job is to produce to a certain volume every day at a designated price.

The profit centre concept pushes many of these responsibilities back to the factories. If a chief executive is to be given profit responsibility, he has to be given many of the back-up services which make it possible for him to do the job satisfactorily. He will want to have more control over the design of his product, more say in how it is sold, a hand in negotiations on wages and incentives and a direct influence on how investment is allocated within the organisation.

Three central points have been made against this type of structure by its critics.

The first is that profit centre organisations inevitably cost more. Both the AM and JRT car divisions will have their own marketing staff, their own engineering and their own product development. To some extent they are bound to be duplicating activities which could be centralised.

The second is that in a complex industry, in which it is necessary to seek large scale economies of manufacturing for vital components, the split into a number of separate centres will complicate the business rather than simplify it. None of the businesses can be self sufficient; they depend on each other for manufacturing of some items. But the question of who makes what is probably easier to answer in a functional organisation.

The third objection is that Leyland has already begun to emerge as an integrated organisation. Some major components, such as gearboxes, go into both the AM and JRT ranges. Engineering has been brought together under one man, Mr. Spen King, who was to have had a new £100m. development and testing centre built for him near Solihull. Marketing is now run from one office block in the Midlands, whether it is for Jaguar or the Mini, and the franchises have been brought together.

Mr. Edwardes, and his advisory Board of senior operational managers, appear to have rejected most of these arguments on the following grounds:

● In their view, smaller organisations are easier to manage, because the executives can more easily see the objectives they are aiming at. They contend that Leyland Cars has developed as a truly integrated organisation, and that it is better to place the emphasis on the old companies which people can understand.

● Leyland lacks managers who have the skill and experience to manage large structures.

● Customers can identify better with the original marques ... which the company grew from than with Leyland.

● Smaller units make it easier to identify where the trouble spots are in the company. Given that Leyland, a big, semi-unified organisation, now in a mess, it is better to break it down and deal with problem piece by piece.

● Integration of major components has not gone so far that production facilities cannot be re-allocated quite easily to car manufacturing divisions.

● Marketing should also be split so that the salesmen are brought closer to the source of the product. This also applies to overseas sales in the major markets. Thus Austin Morris could take over responsibility for European market ... because of the preponderance of its own vehicles sold in the area, while JRT takes responsibility for North America. ... will sell the others' products where necessary, and Truck and Bus division will take on its own overseas sales.

Mr. Edwardes seems to have conceded the argument that some central services ... under an executive vice-chairman ... will hold central ... responsibility for the car activities. There will be a central wage bargaining activity. There will also be an advanced engineering facility for dealing with the long-range ... development, and franchise arrangements will be governed from the centre.

According to the critics, the logic of the volume car business will force him to centralise more and more, so that the concept of profit centres will be undermined and in the meantime the Corporation will be subjected to quite unnecessary disruption. Whether that is right or wrong, the move to centralisation will have to be handled with great skill and the inter-relationships between the new units defined very clearly. In the present climate of uncertainty morale is inevitably at a low ebb; Leyland's hard-pressed managers must fervently hope that this latest organisation can be made to last.

Ups and downs at British Leyland: Mr. Michael Edwardes (left), the new chairman, has plans for decentralising Leyland Cars and has brought in Mr. Ray Horrocks (second from left), ex-Ford and ex-Eaton, to take a senior post in the new structure. Meanwhile, the two top men appointed by Lord Ryder, Mr. Alex Park (right), formerly chief executive, and Mr. Derek Whittaker (second from right), managing director of Leyland Cars, have resigned and will leave at the end of this month.

MEN AND MATTERS

Big bang hits Davos

After a lifetime of back-biting from fellow astronomers, Sir Fred Hoyle is used to criticism. But seldom can he have suffered such an onslaught as over the weekend, in the normally sedate Swiss ski resort of Davos, where over 500 European chairmen and chief executives were assembled to have their intellectual batteries recharged by top politicians, economists and scientists.

The object of this vitriolic attack was Hoyle's forceful espousal of fast-breeder nuclear reactors, and especially his claim that the safety risks of plutonium had been grossly exaggerated. In front of a packed audience, Paul Sieghart, the crusading British lawyer, told Hoyle tartly that the energy field was "much more complex and difficult than astronomy." Turning the screw, Sieghart recalled that another of Hoyle's "comforting theories," continuous creation of the universe, had eventually been overtaken by the more unsettling "big bang" theory. Quoting the considerable doubts of the 1976 Royal Commission about fast breeders, Sieghart also claimed that Hoyle and the rest of the breeder lobby were exaggerating likely future demand for energy.

Nor were the dangers of plutonium purely direct, Sieghart maintained, previewing this week's publication by Justice, the British section of the International Commission of Jurists, of a hard-hitting report, Plutonium and Liberty, which warns that the manufacture and transport of plutonium could require such rigorous and extensive surveyance measures that individual liberty, and even the rule of law, would be threatened.

Hoyle's reaction to all this seemed taciturn, even otherworldly. Only very late in the debate did he bother to reinforce his case by quoting other expert's inquiries against Sieghart's views, adding that the Royal Commission's opinion is not universally shared in the British scientific establishment either.

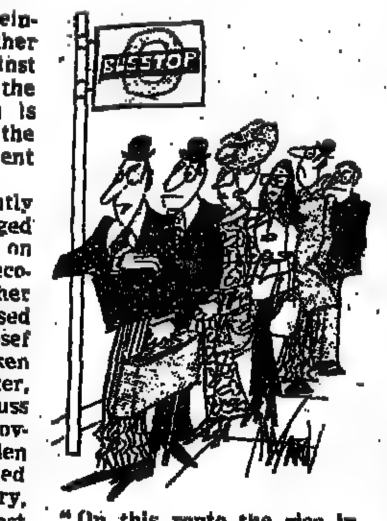
Rather surprisingly, slightly more common ground emerged during a rip-roaring debate on the future of the market economy, between two other holders of strong and opposed views, the ebullient Franz-Josef Strauss and the soft-spoken former Dutch Prime Minister, Joop van den Uyl. Strauss trumpeted the dangers of government intervention, and den Uyl presented a full-blooded Socialist case to the contrary, but then they combined against their audience by attacking large non-state companies for indulging in excessive bureaucracy.

Throwing normal diplomatic niceties to the winds, their harshest words were reserved for the way Italy has been governed in recent years: The economic crisis rested in turn on a political and moral crisis, argued Strauss. Italian society was "diseased," said den Uyl; the only way to resist communism was to remove the "huge inequities" which had provoked the present situation. Publicly, at least, there was not a murmur of dissent from the assembled representatives of Italian big business.

Feathered friends

A round-about warning to coq-au-vin lovers throughout Europe has just been sounded by the National Farmers' Union which is worried that an uncontrolled black market in boiling fowl is the most likely consequence of the latest set of rulings from the EEC in Brussels.

The EEC has apparently tightened up the health and hygiene standards of all premises where livestock, including chickens, are slaughtered.



"On this route the rise in fares is academic!"

This affects everyone in the business, including those small scale operators known to the avicultural intelligentsia as end-of-lay-hen-processors.

These are the people who slaughter the hens which have outlived their usefulness in the crammed cages of egg factories. The unfortunate birds, provided they are still reasonably presentable once stripped of their feathers, are then sold as boiling fowl. From there it is but a short step to subsequent reincarnation as the delicious-sounding, but rarely delicious tasting, coq-au-vin.

The NFU claims that the small firms who usually handle this business cannot afford the necessary alterations and are faced with closure.

The bigger slaughtermen cannot be bothered with the trade unless farmers can let them have 2,500 old birds at a time. This in turn is threatening the small-scale egg producers.

What is even more serious, the NFU thunders, is that a black market trade in end-of-lay hens could develop with people not holding a Common Market licence, buying birds directly from the farm and illegally slaughtering them in garden sheds and garages. It's no fun being a chicken these days.

Festive isle

Adventurous travellers who feel they are running short of remote and exotic destinations will be glad to hear that Christmas Island, bang in the middle of the Pacific, may soon open itself up to visitors.

The main attraction of the island, discovered by Captain Cook on Christmas Day, 1777, are its birds, which include colonies of millions of sooty terns. But none of the island's few recent visitors has failed to be impressed by the gaunt remains of British and American military occupation, for it was from here that Britain exploded its atom bombs in the 1950s.

There are flocks of ornithologists in the U.S. who could presumably be lured to Christmas Island, though the island's only hotel has just 48 beds. A regular weekly air service is now being planned by Air Tungaru of Britain's soon-to-be-independent Gilbert Islands.

Pull another one

Drinking habits in the bars of Western Ireland's County Mayo are the source of endless myths and apocryphal tales. My favourite is that of the Englishman on a fishing holiday who puts up in a pub in wildest Mayo. At 2 a.m. the bar is still doing a roaring trade so he asks the landlord when he closes. "Not until November, sir, and we re-open in March" was the reply.

But the majesty of the law is now cracking down in Castlebar, County Mayo, at least. The District Justice has just caused a storm by cutting the extension to licensing hours back to midnight. Ever flexible however local publicans are mounting a campaign advising drinkers "to start a half hour early."

Observer

FINANCIAL TIMES SURVEY

Monday January 30 1978

Japanese Banking and Finance

Hopes that Japan would achieve a reasonable balance in its trade with the rest of the world have been confounded by events, but some striking changes are underway in Japanese attitudes towards overseas lending as well as foreign exchange controls.

Narrow economic straits

by Charles Smith, Far East Editor

NINETEEN SEVENTY-SEVEN will be remembered as the year when almost everything went wrong with Japan's economic plans. The year got off to a confident start with the Government announcing a 6.7 per cent. real growth target (nearly 1 per cent. up on the growth rate which was forecast — and achieved—in the previous year). Japan's foreign trade partners were duly reassured by this, and by a balance of payments projection which had Japan running a $700m. deficit on current account (for the fiscal year from April, 1977, to March 1978).

In May, when Prime Minister Takeo Fukuda represented Japan at the Downing Street Summit, optimism was still the official line and the line was still being bought by other governments. Just how wrong the optimists had been became clear during the months following the Downing Street Summit when Japan's rate of domestic growth slid steadily backwards and the surplus on current account began rising uncontrollably.

The original forecast of a $700m. current account deficit was replaced in September by the promise of a $6.5bn. surplus, but this also had to be scrapped before long as the rate of increase in exports continued to run far ahead of Japan's stagnant imports. The sharp upward movement of the yen which set in from September onwards seriously damaged business confidence in Japan and set back recovery hopes without helping, initially, to correct the balance of payments surplus.

At the end of 1977 growing international unease about Japan's economic performance led to a series of exchanges between Tokyo and Washington in which the latter called for sweeping changes in Japan's economic policy, including far more vigorous attempts to reflate the economy, and a commitment to reverse the trend towards an ever large balance of payments surplus. The result was the now famous "Strauss-Ushiba Agreement" of January 13 (between the U.S. Presidential Trade Negotiator Mr. Robert Strauss and Japan's Minister of External Economic Relations Mr. Nobuhiko Ushiba) in which Japan undertook to aim for a 7 per cent. growth rate in fiscal 1978 and promised to make vigorous efforts to reduce its surplus.

Before giving these undertakings to the Americans the Japanese Government had made the difficult decision to enlarge the 1978 budget deficit to the unpredentedly high figure of 37 per cent. so as to provide for a level of spending which might have some chance of putting life back into the domestic economy.

Agreement

The Strauss-Ushiba Agreement, which also incorporated earlier undertakings by Japan to cut tariffs and liberalise farm imports has provided a more hopeful start to 1978 than seemed possible a month or two ago. With the assurance that Japan means to do its utmost to promote domestic demand this year the U.S. is apparently going to make efforts on its side to stem the flow of protectionist legislation which at one time looked like being unleashed in the 1978 session of Congress.

Relations between Japan and the EEC, which was forced to play the role of onlooker during the bilateral talks between Washington and Tokyo, seem to be less cordial. The Foreign Ministers of the Nine are due to discuss the Japan trade problem on February 7 and 8 and may use the occasion to try yet again to extract concessions which Japan feels unable to give. Even from the EEC's point of view, however, the prospects for sorting out trade problems with Japan must seem slightly more favourable to-day than they did towards the end of 1977.

Whether to-day's relatively hopeful mood will be justified by actual performance depends heavily on what happens to Japan's domestic economy. Japan's imports, which still consist mainly of fuels and raw materials, cannot be expected to start growing substantially until the level of industrial activity picks up. Neither can Japanese companies afford to stop exporting for all they are worth until the home market becomes a bit more promising.

The Government hopes to put life into the economy by mounting a heavy public works programme. (Expenditure on this during the 1978 budget is due to excede the 1977 level by 27 per cent.). It is also in the process of introducing an investment tax remission scheme which will provide a direct incentive for industry to invest more.

These and other measures are being implemented by a Cabinet team which is far more convinced of the need to reflate rapidly—and far less worried about the inflationary consequences than the Cabinet which held office up to last November. Even so, and despite the consciousness of having its actions closely watched by the rest of the world, there are doubts about whether Japan will actually be able to pull off its 1978 growth targets, or even come anywhere near them.

Most of the private economic forecasting agencies in Tokyo (which were conspicuously more successful than the Government in forecasting the economy's 1977 performance) are saying Japan will be lucky to achieve a 5 per cent. growth rate in 1978 instead of the 7 per cent. the Government has in mind. One of the best known, the Japan Economic Research Centre, is forecasting a 4.4 per cent. growth rate for the coming fiscal year and a trade surplus of just over $16.6bn. This would be little changed from the current year's probable $18bn. surplus.

The reason why many people find it hard to believe that Japan's economy can pick up speed rapidly in 1978 is that the economy remains saddled with a problem of massive overcapacity resulting from the implementation of over ambitious capital investment programmes up to and for a year or two after the 1973 oil crisis. The Japanese steel industry is currenly operating at a little over 60 per cent. of full capacity. The situation is far worse in shipbuilding, and probably worse still in most of the dozen or so major industries which have been officially designated as being in a state of "structural recession." (The list includes textiles, paper and pulp and non-ferrous metals including aluminium.)

The problems of large-scale industry are filtering through to small industry in the form of cancelled or reduced orders and are producing an unprecedented stream of bankruptcies (18,000 cases during 1977). None of this, as yet, is leading to massive unemployment of the type which might result in a Western economy. But Japan's big companies are sounding more unhappy about their obligation under the life-time employment system to keep surplus workers on their payrolls.

This unhappiness is translating itself into a pronounced sense of insecurity, and a corresponding unwillingness to spend money, on the part of the general public.

The question on how to break out of Japan's triple predicament of depressed demand, under-use of industrial capacity and chronically unbalanced foreign trade, involves factors which go well beyond the scope of a survey on banking and finance. Within the scope of this survey, however, there are one or two points about the current situation which deserve underlining. One is that Japan's attitudes to overseas lending and to the question of foreign exchange controls in general are changing rapidly. Japanese banks, which were subject to tight official controls on their overseas activities until a year or so ago, are now being encouraged to play a more positive overseas role, including greater participation in long term syndicated lending.

Another striking consequence both of easy money inside Japan and the balance of payments surplus, is the current boom in foreign yen-denominated bond issues on the Tokyo capital market. Looking slightly further ahead, Japan's newfound foreign exchange affluence could be the cause of a wholesale liberalisation of foreign exchange controls and of a sharply stepped up official foreign aid programme. The government promised both in the Strauss-Ushiba communique (as well as at various other times and places). It is now believed to be readying itself to announce a "study group" to consider the question of exchange control liberalisation.

Japan's current situation, featuring a saturated domestic market, worries about barriers to foreign trade, and a lavish supply of foreign exchange, might seem to provide the ideal starting point for a big expansion of direct foreign investment. In reality nothing much of the kind is happening at present, apparently because Japanese business feels too demoralised by conditions at home and too uncertain about the reception it might get overseas to commit itself to major new projects anywhere. Japan thus remains a somewhat lop-sided economy in terms of [its] relations with the outside wor[ld] —overwhelmingly competiti[ve] when it comes to exports b[ut] somewhat bashful about acqu[ir]ing a visible overseas presen[ce] as a foreign investor. This sh[y]ness is apparent in Japa[n's] minimal manufacturing pr[e]sence in Europe (only about [...] per cent. of the total of $2.8b[n] of Japanese investment [in] Europe is in industry) and ev[en] in the U.S.

Motivation

Sooner or later it would see[m] that the Japanese motor indu[s]try, for one, will have to set [up] plants in the west while oth[er] Japanese industries rangi[ng] from electronics to r[aw] materials processing may fe[el] motivated to establish the[m]selves in developing regio[ns] such as Latin America. Wh[en] Japanese industry does begi[n] significantly, to internationali[se] itself in this manner, Japan w[ill] be in a better position than [it] is now to contribute direct[ly] to world economic recovery and that in turn may help start Japan's own domest[ic] economy on a new path [of] moderate sustained growt[h]. Japan cannot acquire an inte[r]national economic presenc[e] however, in a hostile enviro[n]ment—which is what it h[as] been facing during much of t[he] past year. It follows that inte[r]national attitudes to Japan, a[nd] particularly attitudes in Euro[pe] and the U.S., may be as impo[r]tant as Japan's own efforts [at] domestic reflation in helpi[ng] the country to emerge from i[ts] current problems.

Arguments over invisibles

JAPAN'S DEFICIT on invisibles and transfer payments used to be enough to cancel out its visible trade surplus, or at least to offset a significant portion of it. That situation ceased to apply in 1977. Last year's trade surplus of $17bn. was vastly more than the estimated $6.1bn. deficit on invisibles.

Because of the difference of scale of the two items it has ceased to make as much sense as it did a year or two ago for Japan to defend its overall payments performance by drawing attention to the deficit in invisibles. However, in absolute terms, Japan's invisibles deficit is still large and it is large, too, by comparison with the performance of most other OECD member countries (apart from Japan only West Germany is deeper in the red on this particular item).

The invisibles balance also becomes a talking point when the focus is shifted to Japan's balance with individual countries or regions. Thus Japan claims to have been in net current account deficit with the U.K. up to 1976 because its visible trade surplus of $616m. was offset by an invisibles deficit of $1.48bn. With the U.S., Japan ran a visible surplus of $5.5bn. in 1976 but it was in the red on invisible transactions by just under $2bn., so that its overall surplus with the U.S. came to "only" $3.5bn.

Japan's argument that it is in current account deficit with the U.K. because the deficit on invisibles has been poorly received in Britain. Britain contends that payments to it by Japan under the headings of transport and investment income in fact represent remittances *through* London rather than payments which remain permanently in the U.K. In the case of transport payments a large portion of the debit shown in the Japanese figures consists of payments for ship charters which ultimately end up with Greek or Scandinavian ship owners leaving only commission or service charges for the London brokerage firms which have arranged the charters.

In the case of investment income the Japanese figures include interest payments on Euro-market borrowings which, again, may be only passing through London on the way to their final destination. Britain claims that its "real" surplus on invisibles with Japan is of the order of £250m. per year or less than half the figure claimed by Japan. Japan's view of the matter is that the ultimate destination of funds it remits to London is not its concern. The argument thus seems to be concerned with definitions rather than concrete facts—which means that there is no way of settling it.

Fruitfully

What can be discussed rather more fruitfully is the make-up of the Japanese invisibles deficit and the likely trend of payments and receipts under the various headings. The major deficit items in 1976 and 1977 were on transport, travel and "others" with a rather small red figure on insurance, and with investment income yielding a surplus (on a global basis) in 1977 after running a small deficit in 1976 The transport deficit is made up of charter payments plus freight charges on goods imported into Japan in non-Japanese ships (partially offset by the money Japan earns from the freight on Japanese exports overseas in Japanese ships). It includes charter payments by Japanese shipping companies to their own oversea subsidiaries and affiliates, many of which may have been set up specifically in order to own ships and charter them back to their Japanese parent companies.

To that extent the chartering element in the transport deficit represents an artificial outflow of funds. But it does not follow that the overall pattern of invisible payments is being distorted. Money remitted to overseas affiliates of Japanese shipping companies remains outside Japan unless remitted back in the form of dividends, in which case it would show up as a credit item under the heading of investment income.

Abroad

Japan's deficit on travel reflects the fact that more and more Japanese people are travelling abroad, and spending more when they go, whereas the number of foreigners visiting Japan is rising less rapidly. The number of overseas departures by Japanese passport holders was 2.5m. in 1975, 2.8m. in 1976 and 3.15m. last year. The relaxation of previously rigid rules on the amounts of money departing tourists could take with them has helped boost the travel deficit. On the credit side, there is no reason to expect change until and unless Japan's neighbours in Asia (especially, but most improbably, the People's Republic of China) start to relax controls on overseas travel.

The investment income item—formerly a minus but very recently a small plus—reflects a considerable variety of different types of flows. Included on the debit side are interest payments by Japanese companies and banks on Euro-dollar and other overseas borrowings. On the plus side is the interest income earned by Japan on foreign borrowing in the Tokyo capital market and profit remittances from Japanese foreign investments. Japanese banks have recently been reducing their short term overseas borrowing, although they remain in net liability to the tune of $12bn. Euro-bond issues by Japanese corporate borrowers are also expected to fall. Both of these trends should point to a decline, possibly permanent, in the outflow of investment income. On the plus side, sharply increased foreign borrowing in Tokyo should produce a significant inflow of interest revenue from now on.

The income from Japan's direct overseas investments should grow too, but perhaps not very rapidly, at least in the next few years. A larger part of existing overseas investment is in raw material development ventures which are slow to yield a return on capital or in overseas representative offices of trading companies which may initially run deficits while serving Japan's more general economic interests. (The cost of setting up such offices appears as "other" payments in the table.) When Japan begins to invest on a large scale in overseas manufacturing (for example, cars in the U.S. or Europe) the profits should start to flow in but that era has yet to arrive. An official view (which may be deliberately modest) suggests that Japan may not start to earn a really substantial income from its direct overseas investments until the turn of the century.

Decline

The Ministry of Finance expects Japan's 1978 deficit on invisibles to reach $7.5bn. and is certainly not anticipating a rapid decline hereafter. In the long run, however, it would seem that Japan's invisibles deficit must be regarded as being less structural in nature than that of West Germany (whose constributions to EEC running costs and remittances by guest workers constitute two special kinds of outflow). Japan it would seem, could ultimately find itself in the position of the U.S or U.K. —the possessor of a handsome income from its overseas investments.

Charles Smith

How to throttle inflation

SINCE THE fearsome price explosion which followed the oil crisis of late 1973, Japanese economic policymakers have concentrated on choking the life out of inflationary forces.

The figures tell an impressive success story. From a dizzying peak of 37 per cent. in February, 1974, wholesale price inflation was down to 1.1 per cent. at end-1975, before rising to 6.1 per cent. at end-1976.

By the end of last year—when the powerful effect of the sharp rise in the yen was combined with weak world commodity prices—the wholesale price index was actually 1.5 per cent. below year-earlier levels.

With a time-lag of about six months, wholesale price stability has been reflected in a slowdown in consumer price inflation, which at end-November was running at 6.2 per cent., already well below the Government's downward-revised forecast of 7.6 per cent. for the end of fiscal 1977 in March.

What the figures do not tell of course is that the inflation battle has only been won with the aid of three years of conservative economic policies, which have also led to a severe slump in domestic demand, and soaring trade and balance of payments surpluses which have aroused bitter resentment around the world.

Neither the slump nor the resentment is likely to make Japan abandon its concern with keeping prices under control—certainly not while the man at the helm is Prime Minister Takeo Fukuda, who, as chief of the Economic Planning Agency (EPA), was largely responsible for the past few years' anti-inflation policies.

Pressures

But both the domestic and the international pressures appear to have convinced policymakers that reflationary action is now essential, *and* possible without posing any real threat to price stability for the time being. The Government's "policy target" for fiscal 1978 is real GNP growth of 7 per cent., to be achieved with the help of a national budget providing for a 20.3 per cent. boost in overall general account expenditures.

The deficit financing ratio of the budget has been set at 32 per cent., above the traditional 30 per cent. ceiling for the first time.

Interest rates, already low, will probably be cut further. The basic idea is that public works spending will lead the recovery in the first half of the year, while private inventory investment and capital outlays will take over in the second half, and consumer spending will gradually be stimulated as wages and employment levels improve.

The EPA is predicting that if all goes according to plan, wholesale price inflation will rise 2.7 per cent. at the end of fiscal 1978, from 0.6 per cent. in March this year.

Consumer price inflation is forecast at 6.8 per cent., down from 7.6 per cent. The forecast is based on unpublished assumptions in three main areas: overseas prices and the yen exchange rate, the overall supply-demand situation in the economy, and the level of wage hikes to be negotiated this spring.

Japanese Press reports have said the assumption for the yen is 240 per dollar, which looks reasonable but which has not been officially confirmed.

As regards supply-demand, the current capacity utilisation rate of industry is below 80 per cent., and Government economists admit a gap will still

CONTINUED ON NEXT PAGE

Payments balance causes concern

WHEN THE U.S. started to apply pressure on Japan late in 1977 for a series of basic economic policy changes it focused mainly on two issues. One was the rate of growth of Japan's GNP in 1977 which the U.S. wanted set at a considerably higher level than Japan seemed to have in mind. The other was the rate of reduction in Japan's current accounts surplus.

On the first issue, judging by the contents of the joint declaration issued after this month's talks in Tokyo between the U.S. Special Trade Negotiator, Mr. Robert Strauss, and Japan's Minister for External Economic Relations, Mr. Nobuhiko Ushiba, it would seem that the Americans more or less got what they wanted: Japan's commitment to a 7 per cent growth rate (even though Prime Minister Takeo Fukuda prefers to call it a "policy target") is in line with Washington's initial demands and is greater than the 6.7 per cent growth target which was being contemplated in the first place.

The situation on the balance of payments is significantly different. The Strauss-Ushiba Declaration does not mention a target figure for reducing the current account surplus in 1978, although it does state that the surplus will be "considerably reduced through the expansion of domestic demand, the effect of yen appreciation in recent months and a series of new measures for improving the access of foreign goods to the Japanese market." Neither does it commit Japan eventually to eliminating its current account surplus altogether, although the U.S. originally hoped for such a commitment. It speaks instead of "all reasonable efforts" to reduce the current account surplus "aiming at equilibrium, with deficit accepted if it should occur."

The wording of the communique appears to represent an ingenious piece of diplomatic ambiguity bridging a quite considerable gap between the U.S. and Japan over where the Japanese balance of payments should be headed in the long run. The Americans, apparently, continue to maintain that Japan should ultimately bear its share of the burden of re-establishing an equilibrium in international payments by running a deficit on current account. Japan, on the other hand, feels that it is right and proper that its current account should remain permanently in surplus, given that it runs a permanent deficit on capital account.

JAPAN'S BALANCE OF PAYMENTS
($bn.)

	1976 (April '76-March '77)	1977* (April '77-March '78)	1978* (April '78-March '79)
Current balance	4.7	10.0	6.0
Trade balance	11.1	16.5	13.5
Exports	69.4	79.5	85.0
Imports	58.2	63.0	71.5
Invisible balance	− 6.5	− 6.5	− 7.5
Long-term capital balance	− 1.6	− 5.0	− 7.0
Basic balance	1.1	5.0	− 1.0

* Latest official Government estimate.

Deficit

This point of view was clearly expressed by the Director General of the Ministry of International Trade and Industry's International Trade Policy Bureau, Mr. Toshihiko Yano, in a recent newspaper article. Writing in the English-language Mainichi Daily News, Mr. Yano said, "With regard to the problem of reversing the current account balance into a deficit it is extremely difficult for Japan to do, if not impossible. It would be an unreasonable request." He went on to argue that the special position of the U.S., resulting from the international position of the dollar and a permanent surplus on capital account, made it hard for Washington to understand Japan's position.

Japan's contention that it must continue to be allowed to run a surplus on current account carries the implication that it must be permitted to continue running a visible trade surplus of well over $6bn. a year into the indefinite future (given that the invisibles account is always in deficit by at least that amount). This in *turn translates into the contention* that Japan must remain permanently in very considerable surplus on its visible trade with other developed regions such as Europe and the U.S. (because its dependence on raw materials imports puts it into permanent deficit with regions such as the Middle East, Australia and Latin America). The implications of all this may not have been fully grasped by European politicians who habitually make demands on Japan for the balancing of the Japan-EEC trade account.

The question of whether Japan should, in principle, run *a current account deficit* or surplus represents one half of the debate over its foreign international payments performance. The other half is concerned with what has actually been happening to the balance of payments during the past year and what the government plans to do in 1978. At the beginning of last year Japan published a set of predictions which included the forecast of a $700m. deficit on current account in fiscal year 1977 (April 1977 to March 1978). In September, the forecast was revised to a surplus of $6.5bn., and revised again to a surplus of $10bn. shortly before Christmas. The latest, off the record, statement on the subject by a government official is that it is "hoped" that the current account surplus will be a little over $11bn. for the fiscal year but that a figure of over $12bn. is a strong possibility.

The reason for the huge discrepancy between original forecast and actual performance, apart from official wishful thinking (and, in the case of the September forecast of $6.5bn., conscious inability to face-up to the true situation) is that Japan's plans for its domestic economy went badly astray in 1977. Domestic demand was supposed to grow strongly, producing increased demand for imports and taking the pressure off industry to export. In the event, the economy failed to grow as intended and it was exports which grew rapidly and imports which slowed down.

Forecast

The Japanese Government's official forecast for fiscal 1978 is that the trade surplus will be cut back to $13.5bn. and the current account surplus to $6bn., while the basic balance of payments (including capital account) will go into deficit by about $1bn. The strategy for achieving this is the same strategy that was attempted in 1977. In other words, it is hoped that exports will slow down and imports will pick up as the result of a sharp recovery in domestic demand, rather than as the result of direct action by the government to stimulate imports or restrain exports.

If the economy does grow faster this year and the trade surplus still threatens to be excessive, the Ministry of International Trade and Industry says it is prepared to consider emergency imports of raw materials and fuels. Such imports, however, would come late in the year and would not make much difference to sales of Western manufactured goods (which, with temperate zone agricultural products, are what the U.S. and the EEC appear to be mainly worried about).

In taking its stand on the prime need to promote domestic economic growth and the secondary status of the trade and balance of payments problems, the Ministry of International Trade and Industry is talking sound economics. Whether it is also talking practical diplomacy is another matter. In reality both MITI and the Ministry of Foreign Affairs are probably well aware that Japan will have to take direct action in 1978 to placate angry trade partners. They also probably realise that the forecast for a $6bn. current account surplus in the Government's official projections cannot be discarded as lightly as the $700m. deficit forecast a year ago.

C.S.

Inflation CONTINUED FROM PREVIOUS PAGE

remain even if the 7 per cent. target is met (although this will obviously vary considerably from industry to industry).

As as for wage hikes, the current guessing on the employers' side is for a nationwide average of about 6 per cent or 7 per cent. What is quite clear is that with bankruptcies at all-time highs, and unemployment over 1m. and rising the unions are going to be mainly concerned with employment guarantees rather than with high wage increases.

All in all, the price forecasts do not look difficult to meet, particularly in view of the fact that most all private sector economists believe the Government is still erring too much on the side of caution, and will fall far short of its 7 per cent. growth target.

EPA officials have three main concerns on the prices front.

One concern is the possible emergence this year of bottleneck inflation in areas related to the Government's public works programmes.

EPA officials agree that wholesale prices in some industries need to be raised somewhat to ensure adequate levels of profitability.

Profiteering

But they will be keeping a close watch on prices of key public works related materials such as cement, steel and timber products, to guard against any excessive profiteering.

The second concern is to ensure that the beneficial impact of the higher yen is fully passed on from the wholesale to the consumer price level. Given the horrendous complexity of the Japanese distribution system, this is no easy task.

But the EPA has about 1,400 "monitors" around the country, whom it employs on an occasional basis to check on shop prices in their areas. Other Ministries, including those of Trade and Industry and Agriculture, as well as local Government authorities, have similar systems.

The third concern, which is longer-term, is the inflationary implications of the huge and rapidly growing amount of outstanding Government debt, most of which is in the hands of the banks.

The danger is very real, but *not in fiscal 1978: the policy-makers* will not have to address themselves to it until the hoped-for revival in private demand finally takes place.

Simon Tait

Strong yen poses new problems

LAST YEAR'S top news story in Japan, according to a poll of newspaper editors, was the sharp rise in the value of the yen.

Many newspaper readers probably found the yen's fortunes considerably less exciting than the story which the editors placed second—the Red Army hijack of a Japan Air Lines DC-8 over India—but by all criteria more durable than sheer drama, the editors' choice was wise.

The yen's appreciation against the dollar of about 22 per cent. during the year was much sharper than the government had foreseen.

Its deflationary impact is a major reason—though by no means the only one—why real GNP growth will fall far short of the targeted 6.7 per cent. in fiscal 1977 ending this March. And its effects in fiscal 1978 and beyond, both on the Japanese economy and overseas, are likely to be far-reaching and profound.

Before trying to assess them, it is necessary to look at what happened last year, and why. By almost any reasonable standard, the Japanese currency looked undervalued at its end-1976 exchange rate of 293 to the dollar.

Both the speed and the nature of the yen's appreciation changed abruptly around the beginning of October. Up to that time, when the yen was still hovering in the mid-60s, the rise had been relatively orderly—it may or may not have been already more than the Japanese authorities had bargained for, but they seemed to have accepted it as an inevitable consequence of the continuing huge surplus in the current account balance of payments.

Subsequently, however, following sharp criticism of the Japanese surplus at the annual meeting of the International Monetary Fund in Washington, the rise appeared to get out of hand.

Intervention

Despite heavy intervention in the Tokyo exchange market by the Bank of Japan, for the stated purpose only of smoothing out "erratic fluctuations" in the exchange rate, the yen surged to around 250 to the dollar by end-October, hit 240 in November, and touched 238 in December—on January 4, the first day of 1978 trading, the yen rose again to a new all-time high of 237, before recovering to slightly above the 240 level, following the announcement by the U.S. Treasury of its readiness to intervene actively to support the dollar.

Apparent efforts by U.S. Government officials, most prominently Treasury Secretary Michael Blumenthal to "talk up" the yen while "talking down" the dollar, appear to have played a significant role since the beginning of last October in encouraging speculation in the yen, both in the form of commercial leads and lags, and of short term dollar inflows.

The temptation to blame all their currency troubles on U.S. politicians and international speculators proved hard for the Japanese to resist.

Bank of Japan Governor Teiichiro Morinaga, who is, to put it mildly, normally highly reserved in his public statements, went so far as to term "indiscreet" some of Mr. Blumenthal's remarks about the yen.

And recently, Prime Minister Takeo Fukuda said substantial speculation had been involved in the yen's "excessively sharp" appreciation, which had "played havoc" with the Japanese economy.

The merits of Mr. Blumenthal's statements can be debated ad infinitum, as can their true effect, in relation to the fundamental balance of payments factors militating in favour of a stronger yen and a weaker dollar.

What became clear was that the Japanese authorities were in no position to control the yen's sharp upward movements decisively.

Dramatic tightening of foreign exchange controls, for example, would have meant reversing the whole process of liberalisation to which the Government has committed itself, and would surely have provoked fierce foreign criticism that Japan was attempting to keep the yen under-valued. (There were persistent rumours after the IMF meeting that some sort of "understanding" had been reached in Washington on how far the yen should be allowed to rise.)

On November 17, the Government did finally act by imposing a ban on further non-resident purchases of short-term Government securities, and a 50 per cent. reserve requirement on increases in non-resident "free yen" accounts.

The most effective of the two measures was undoubtedly the ban on buying the securities, into which well over $1bn. of foreign money had reportedly flowed since early October.

But taken together the measures did little to curb speculation in the yen, and pointed up some technical limitations on the Bank of Japan's ability to control the exchange rate.

These limitations relate to the nature of the forward exchange market in Tokyo, where quotations often depend mainly on market sentiment and the anticipated commercial demand for dollars, and are often in asymmetrical relationship to Japanese interest rates (which are fixed in a more or less rigid structure, in which it is difficult to change one without changing others as well).

Securities

Before the November 17 measures, for example, foreign investors were often able to make easy profits by buying 60-day Government securities, paying about 4 per cent. per annum, and taking advantage of forward dollar discounts which were wide enough at times to double or treble the 4 per cent. return.

After the measures were introduced, the ban on securities buying initially had the ironic effect (by removing demand for forward dollars by non-residents covering such purchases) or widening forward dollar discounts sufficiently to encourage new inflows into free yen accounts, despite lower interest paid on those accounts as a result of the reserve requirement.

Discounts then narrowed—however, they have since widened again, sufficiently on occasion to attract inflows into free yen accounts, and the problem will not go away without greater liberalisation and sophistication of the Japanese financial system.

The effects of the yen's appreciation on the Japanese economy as a whole, and on the current account payments balance in particular, are hard to quantify—and will of course depend on whether the rise continues or not.

It also became apparent that the ability of the Japanese authorities to control the exchange rate had been considerably hampered by the increasing internationalisation of the yen. On numerous occasions in recent months, the yen has risen sharply on the London and New York Exchange markets, and the Bank of Japan has appeared unable to resist the trend when the Tokyo market opened the next day.

It was recently disclosed that the Bank of Japan has had an agreement since late last year with the New York Federal Reserve under which the U.S. bank is prepared to intervene in the New York market on the Japanese Bank's behalf. Japanese foreign exchange bankers believe the system has already been used on a small scale—probably only a few million dollars worth of yen sales.

The ability to intervene in New York could be a powerful weapon for the Japanese authorities—but it should be noted that the system does not represent a willingness by the U.S. to support the dollar against the yen on its own account (as would be the case, for example, if the two central banks agreed to activate their swap agreement), but only to act as an intermediary for the Bank of Japan. It remains to be seen to what extent, and at what exchange rates, the New York Fed will be prepared to carry out this role.

The effects of the yen's appreciation of the Japanese economy as a whole, and on the current account payments balance in particular, are hard to quantify—and will of course depend on whether the rise continues or not.

To take the payments balance question first: some of the less competitive Japanese exporters look sure to be effectively shut out of overseas markets by the yen's strength—typically small and medium-sized companies in industries competing with low labour cost operations in less developed countries. Parts of the textile industry, light consumer goods makers, and also small steel firms, could be cases in point.

The Government is planning financial assistance and other measures — such as recession cartel arrangements — to help support such firms which might be in danger of bankruptcy. But unless and until the Government succeeds in strongly boosting domestic demand, many companies, small as well as large, will undoubtedly continue to export at reduced profit margins, and even at a loss, because this will be preferable to the alternative of cutting already low capacity utilisation rates.

In a recent survey by the Shoko Chukin, a semi-official bank for small enterprises, 66 per cent. of 200-odd respondent companies reported their exports would be below the break-even point with the yen at 240 to the dollar—but 91 per cent. said they would have to continue exporting to stay in business, and would try to cope by raising export prices where possible, cutting costs, and developing new products.

Japan's most efficient export industries—such as vehicles, steel (the major firms), home electronics, and ships—might well have room to absorb the effects of the higher yen.

Profit margins might be trimmed—in others, non-price competitiveness factors — quality, unique products—might well allow rise in foreign currency selling price overseas.

On the import side, the yen's appreciation is unlikely to have much immediate effect on volume purchases of the fuel and raw materials which account for around 70 per cent. of total imports—because the demand for these is determined not by price but by the overall level of demand in the domestic economy.

But lower import costs are already making themselves felt, for example, in reduced prices for key oil products, and the effect is spreading.

Revaluation

Imports of manufactures should, of course, also become cheaper for the Japanese consumer, but in many cases the profits from the yen revaluation might well be quietly pocketed at various stages of the notoriously complex distribution system, with the consumer left to pay much the same as before. A drastic overhaul of the distribution system is much easier said than done—but the Government clearly needs to strive to extract the maximum possible benefit from the yen revaluation in terms of lower prices at the consumer as well as the wholesale level.

The main danger for the economy as a whole is that the Government's plans to boost domestic demand might prove too weak, causing the payments surplus to remain high or even to increase, and creating a vicious circle in which a further rise in the yen would further depress domestic demand.

At present, bets are hedged on whither the yen, an how far—but it is hard to find any experts who are predicting a significant fall in the Japanese currency from its present exchange rate.

S.T.

Saving for a rainy day

THE PERSONAL savings ratio to net income after tax has remained extremely high in Japan, though it has declined from the peak of 1974.

According to a Prime Minister's Office survey, the average savings ratio (in this case, savings include everything except consumption—that is, deposits, cash in hand, repayment of borrowings, etc.) of all working households was 22.6 per cent. in 1976 compared with 24.6 per cent. in 1974. An official of the Office said the figure for 1977 will probably turn out to have been a little higher than the 1976 figure and explained that the falling inflation rate increased real-term incomes for households. This is expected to have pushed up the savings rate.

The saving ratio rose consistently for the ten years to 1974 from 17.2 per cent. in 1965, except in 1971 when the ratio was a little lower than the preceding year. But after the Japanese economy entered the recession in 1974, the real wage growth declined and affected the savings ratio. The real wage index increased only 2.2 per cent., 2.6 per cent. and 3.2 per cent. in 1974, 1975 and 1976 respectively, compared with a jump of 11 per cent. in 1972.

Biggest

But even with these declines in the past two years, the Japanese are far and away the biggest savers in world terms. In second place are the West Germans with 15.8 per cent. in 1975, according to the statistics published by the Bank of Japan. The corresponding British figure was 9.8 per cent. in 1974.

The strongest motivation for such high savings among the Japanese is that there is a need for them to save because of the lack of welfare services. A questionnaire conducted last summer by the Saving Promotion Central Committee revealed some of the motivation behind savings. The predominant 79.6 per cent. of those questioned replied that they were saving against a rainy day and illness; 54.2 per cent. for children's education and weddings; 38.5 per cent. for their old age; and 32 per cent. for the purchase of land and homes as well as for expansion and repairs of homes.

So, if the welfare system were fully equipped and people did not have to worry about illness or old age, the Japanese would probably not save as much as they do now.

On the other hand, in Japan payments for social welfare services are considerably smaller than in other developed countries. For instance, the ratio of personal taxation and social welfare payments to total personal income was only 12.1 per cent. (in 1975) in Japan, while it was 25.1 per cent. (1974) in West Germany, 31.5 per cent. (1974) in Sweden, and 21.1 per cent. (1974) in the U.K.

Another significant reason for the high savings ratio in Japan is that many people want to buy their own homes.

The SPCC survey showed that 27.6 per cent. of those questioned had plans to buy homes within ten years, and 53.7 per cent. planned to buy them at some indefinite time in the future. Only 18.7 per cent. had no plans to buy homes.

Houses in Japan are extremely expensive. Even a typical small apartment in large cities, measuring 8.3 by 8.3 metres (including a balcony) costs Y1.3m. ($54,000). So most Japanese try to save as much as possible, but usually they still have to borrow money from banks and financial corporations for more than 70 per cent. of the total amount needed.

In addition, there is a tradition of thrift and saving in Japan. For a long time, the Government compelled people to work hard and catch up with more industrialised nations. The money saved was invested in plant and equipment and contributed tremendously to the rapid growth of the Japanese economy.

Even though the demand for these investments has been sluggish for some time the Government is still promoting savings by providing depositors with favourable tax treatment. Personal deposits up to Y6m. are tax-free, and deposit interest is taxed separately from other incomes.

Postal

The Government is particularly promoting postal saving deposits. They amounted to Y30,027bn. at the end of last March, and are directed by the Finance Ministry to housing construction, improvement of environment, education, welfare, finance for small industries, and agriculture and fishery.

The outstanding balance of deposits in postal savings accounts represents nearly 14 per cent. of all deposits in Japan. More significant is the fact that 99 per cent. of postal savings are personal savings. Corporate depositors put their money into banks because the ceiling for a postal saving account is Y3m.

It seems clear to observers that consumption in Japan will not increase rapidly any more, as most households have already bought such durable goods as electric appliances, furniture and musical instruments. The increase in sales by department stores last year was the lowest ever. Therefore, the Government is promoting savings which will eventually be spent on large-scale costs such as the purchase of land and homes or weddings and education.

Weddings represent large-scale consumption in Japan. According to Sanwa Bank's survey, the average expenditure for a wedding including ceremony, honeymoon, basic household necessities and wedding gifts amounts to Y3.3m. And 61 per cent. of marrying couples are financially supported by their parents.

Education is also very expensive. Entrance fees to private schools are particularly expensive and are usually shouldered by parents. Living costs for college students are also usually paid by parents in Japan.

Some economists say the savings habits of the Japanese will not change unless the social environment and national customs change. The Japanese Government, through postal savings has depended heavily on high rates of savings as a major source of funds. An overwhelmingly large portion (69 per cent.) of the saved money is placed on bank deposits and on deposit with the post office in Japan, compared with 36 per cent. in the U.K.

Only 18 per cent. of savings is held in stocks and bonds in Japan, while in the U.K. this accounts for 34 per cent. of savings. Similarly, insurance and pensions account for only 12 per cent. in Japan, against 30 per cent. in the U.K.

The outstanding personal financial assets per person at the end of 1975 in Japan amounted to $5,310, which was still lower than $11,705 in the U.S. and $5,470 in West Germany, but higher than $3,762 in the U.K.

Atsuko Chiba

A slow decline in foreign borrowing

BANKERS SAID the boom in Japanese corporate borrowing overseas would not outlive Japan's sudden switch from a high to a low interest rate market. They were wrong—and they were right. At last count, 19 companies intend to make public or private offerings on international bond markets between January and March—and if the estimated $500m. sum for all 18 corporate bond issues is reached, it will prop up Japanese corporate borrowing abroad at roughly the levels of 1976 and 1977. That is why the dire predictions of a "yen shift" back to domestic financing were wrong.

Conversely the shift may only be delayed. The basic lending rate of the Bank of Japan (BOJ) is now 4.25 per cent., and prime rates are lower than all but the Swiss (and still competitive with Deutschmark yields). Just about every foreign market has been priced out of Japanese companies' sights by dearer yen and lower interest rates inside Japan with the exception of Switzerland and Germany. And not surprisingly, Swiss franc bonds account for 12 of the 19 planned issues in the first quarter of 1978 along with two DM issues and four Eurodollar issues.

Active

There is active interest in raising funds abroad, but it may decline if and when the BOJ again reduces the official discount rate (expected in late February or March). For now, companies will go on borrowing the funds they use primarily to finance overseas expansion, and the relatively strong programme of borrowing in January-March 1978 can be taken as a sign of plans to invest more abroad.

The single most important change in Japanese borrowing habits in 1977 was the mid-year exodus from the U.S. market. Four Japanese corporate equity issues set a brisk pace in early 1977 after the smashing success of Honda's December 1976 issue for $50m. Moreover, the borrowers — Wacoal, Makita Electric, Kubota and Trio-Kenwood—managed to scrape by with lower discounts from the Tokyo Stock Exchange prices than had Honda. But if Honda started a trend, the car company also ended one: its $65m. equity issue (American depositary rights) last July was the last ADR of the year, and according to Japan's Finance Ministry, there have been no applications for ADR issues so far in 1978.

Similarly, there have been no U.S. bond issues by Japanese companies since Mitsui's August offering for $50m. (in three tranches). Mitsui and four prior borrowers in 1977 raised a total of $550m., up by half on Japanese borrowings in the U.S. in 1976, but here again there are no known plans for raising funds in New York this year.

Instead, the focus in 1978 is on the Eurodollar market (fading), the DM and Sf markets (rising), and the Euro-asian Dollar market (booming).

The Asiadollar market does not stand alone. But what has become known as the Euroasian market — simultaneous fund-raising on the two markets—appears firmly entrenched. In sheer numbers, Euroasian placements accounted for eight of the 68 Japanese corporate bond issues abroad last year, and raised $230m. (over 10 per cent. of the total). The pioneer issue last April in Luxembourg and Singapore by the Bank of Tokyo for its Curacao subsidiary, and managed by S. G. Warburg, broke the ice for a flurry of issues—four of them (worth $105m.) in November alone. It is impossible to tell just how much of any issue was placed in Asia, but interest was still predominantly in Europe.

Swiss franc issues were popular throughout 1977 but looked especially attractive at year's end—for obvious reasons. Swiss interest rates became the only ones appreciably lower than Japan's, and the franc was the only currency to match the yen's strength on exchange markets. Thus, the planned Swiss franc issues in the first quarter of 1978 (worth about $900m.) will amount to over half the total Sf.1,165m. placements last year ($480.7m.). Among the top names who will issue in Switzerland this quarter are Citizen, Asahi Glass, and Sumitomo Metal.

The DM market still entices Japanese corporate borrowers, including Fujitsu (planned for this quarter) which sees it as part of an all-out effort to build and sell computers in Europe (possibly in a tie-up with Siemens). The number of DM issues, however, declined in 1977 to nine from the previous year's 14 issues. Whether companies will continue to raise DM funds if the interest rate differential between Japan and Germany gets seriously out of whack is anybody's guess.

The Eurodollar market remains the bulwark of Japanese corporate financing abroad, but this could change. In 1977, Japanese companies raised $695m. on the Euromarket, plus whatever portion (75 per cent.?) of the Euroasian placements were taken up by European investors. It is therefore about the size of the Sf and DM markets combined: one estimate, however, suggests Eurodollar borrowings by Japanese companies will even reach one-half of Swiss franc issues in 1978.

Boost

Likewise, although Japanese companies have plans to boost their investments in the U.S. this year the market for raising equity offerings dried up after Honda's last issue. Since then, issues for European Depositary Rights (EDRs) have come at regular intervals, including Stanley Electric and Nippon Chemical Condenser in September, Q.P. Corporation and Komatsu Forklift in October, and Konishiroku Photo and Daiwa Seiko in November. There are no ADRs planned this quarter, but one EDR by Seino Transportation (underwritten by Nomura).

The trend of linking more issues to company equity continued in 1977, notably for private issues in the Euromarket. Twelve of the 43 public issues were convertible, as were 17 of the 25 private placements. So 43 per cent. of all issues in 1977 were made convertible—compared with only 30 per cent. in 1976 and 15 per cent. a year earlier.

Douglas Ramsey

Domestic banks find the going tough

JAPAN'S COMMERCIAL banks played a key role in the financing of economic growth up to the 1973 oil crisis. What they did, in simple terms, was to absorb the saving of indivdual wage earners and lend the proceeds at a comfortable profit to private industry as funds for capital investment. To-day banks are not doing this any longer—or at least not to anything like the same extent as in the heyday of ultra-rapid growth. During the past year both deposits and corporate fund demand have been stagnant and the interest rate differential which made it profitable to finance industry with funds accumulated from private depositors has largely disappeared.

The banks are thus in the process of adjusting their ideas about their role and function in the economy. Greater prominence is being given to consumer lending and fewer services are being offered free, or at minumum prices. With regard to industry the banks have begun to assume the role of shock absorbers, prepared to write off losses when a company (or sometimes a whole industry) runs into trouble. They are also, increasingly, finding themselves willingly or unwillingly involved in the business of advising corporate clients on how to extract themselves from loss making situations.

The biggest headache of the big 13 "city banks" with nationwide branch networks which make up the core of Japan's banking industry has been, for the past year or more, what to do about the disappearance of their profit margin on the management of borrowed funds that has resulted from the government's interest rate policy. The government announced three reductions in bank rate during 1977 the third of which, in September, brought the rate to its lowest post-war level of 4.25 per cent. Commercial lending rates came down in line with the bank rate cuts but deposit rates (the rates the banks have to pay on their borrowed funds) came down more slowly and by generally narrower margins.

As a result, by September last year, there was a negative margin of 0.75 per cent. between the short term prime rate (for one year loans to first class borrowers) and the one-year deposit rate. On an overall basis eight of the 13 city banks were still reporting a narrow positive margin on the management of their borrowed funds for the six months ending September, but five banks, including Dai-Ichi Kangyo (Japan's largest) and the foreign exchange-specialist Bank of Tokyo, were reporting negative yields. The number of banks reporting negative differentials on borrowed funds is expected to grow during the current (October to March) business term.

A shrinkage of the bank's earnings on borrowed funds has increased the need for them to make more profitable use of their own reserves. It has also led to a search for other sources of revenue such as increased commission earnings. Japanese banks traditionally provide many more services free or at nominal charges than Western banks but this practice is starting to be eroded in the face of the earnings squeeze on deposits. Dai-Ichi Kangyo Bank and Mitsui Bank both recently announced increases in their charges on remittances and are expected to be followed shortly by most of the other eleven city banks. This may be the start of a process which will raise commission earnings well above their present modest share of five per cent. of the bank's total earnings.

Revenue

Another source of increased revenue could be over-the-counter sales of government bonds. The city banks have been campaigning for the right to start such sales for well over a year and seem likely to be given the go-ahead very shortly by the Ministry of Finance, despite opposition from the securities industry.

Diversifying their sources of revenue represents an urgent short-term priority for the banks in the face of the squeeze on interest margins. Diversification of lending is a longer-term problem but could prove to be no less important given the apparent permanent decline in Japanese industry's requirement for borrowed funds. The banks are meeting this challenge by emphasising housing loans which currently account for only some 10 per cent. of their total lending but are expected to grow fast. Interest rates on long-term housing loans (up to 20 years) were well above those on long-term loans to industry before the 1973 oil crisis but have now been brought down to roughly the same level.

Among the burdens the city banks are being called upon to assume as Japan's economy remains in a state of suspended animation is the absorption of rapidly increasing amounts of Government bonds. The city banks have been called upon in the past two years to take up about 37 per cent. of the annual Government bond issue, the total amount of which has been rising in line with Japan's increasing reliance on deficit financing as means of balancing the budget. Absorbing Government bonds changed from being a painful obligation to a welcome outlet for funds during 1977 as lending opportunities dried up elsewhere. It could revert to being one of the less welcome aspects of the city banks' privileged position as the pillar of Japan's financial system if and when the economy starts to expand again.

The task of propping up ailing companies or industries is another essential city bank function which has become more important in the past year—in some cases in fairly dramatic circumstances. The city banks wrote off a total of Y191bn. worth of debts by the defunct trading company, Ataka, during 1977. They also agreed to moratoria on interest payments by a handful of other major companies. Writing off losses and stretching out debt repayment schedules will apparently remain part of the day's work for all major banks in 1978 although there are no signs at the moment of another catastrophe on the scale of Ataka. It is a burden that the banks are apparently well able to carry, given the massive size of their reserves, but the effect on their profits will presumably remain rather negative.

The 13 city banks represent the apex of a Japanese banking system which also includes trust banks, long-term credit banks (specialists in long-term industrial financing with the exclusive right to issue bank debentures) and local banks (whose business territories are usually confined to one Japanese prefecture).

The economic arguments in favour simplifying this complex structure either by abolishing some of the distinctions between different kinds of banks or merging banks within the various categories are generally held to be quite strong. But the actual prospects of any major structural changes in the industry are limited.

Two of the existing 13 city banks are the results of mergers which have generated enough problems (mainly in human relations and staffing problems) to make the remaining 11 city banks wary about following their example. The Ministry of Finance, which exerts close overall control over the banking system, could probably induce further mergers among the city banks by offering the carrot of a favourable rearrangement of the merged bank's branch network. The Government however, seems to feel that, if Japan's banking system is far from ideal, it is at least coping reasonably well with the various problems facing the economy at present

C.S.

BANK PROFITS

(Yen bn.)

Bank	Operating revenue	Trading profit	Net profit	Overseas earnings
Dai-Ichi Kangyo	378.2 − 2.1	26.6 −15.8	14.2 + 8.2	14.0 − 7.2
Fuji	326.8 − 1.8	29.1 − 7.7	15.5 +12.4	12.9 − 9.2
Sumitomo	327.2 − 0.4	43.8 +28.3	8.1 −43.4	11.9 −17.8
Mitsubishi	318.9 + 1.4	27.6 − 8.4	15.2 + 9.9	10.0 −10.7
Sanna	316.2 − 0.5	24.3 −12.6	13.6 + 9.5	12.3 − 3.3
Tokai	235.5 − 1.3	14.8 −12.1	8.5 + 9.4	5.9 − 4.7
Taiyo Kobe	218.7 − 1.4	10.6 −27.6	6.2 + 2.2	5.9 − 2.1
Mitsui	222.2 − 1.7	12.8 −33.6	8.5 + 8.9	10.4 − 7.3
Kyowa	159.8 − 1.4	10.9 − 4.9	5.1 − 4.9	4.2 −10.6
Daina	140.1 − 1.4	11.9 + 6.0	3.7 + 0.1	5.0 − 8.5
Saitama	118.2 − 0.6	9.5 − 3.0	4.4 + 7.1	2.5 −12.8
Hokkaido Takushoku	95.8 + 2.3	7.1 − 3.0	3.3 + 6.3	2.4 − 4.4
Bank of Tokyo	236.0 − 3.7	20.5 + 7.4	9.5 − 4.2	38.0 + 1.1
TOTAL	3,093.6 − 1.1	249.3 − 5.8	117.8 + 0.4	158.5 − 6.2

Impact of foreign banks

THE MARUNOUCHI offices of the Dutch bank, Algemene Bank Nederland, were besieged recently by banner-toting protesters. An unlikely way for the quintessentially polite Japanese to behave in the heart of Tokyo's banking district? And toward a foreign bank to boot? Indeed, but ABN is just one of several foreign banks picketed in the past year. In most cases, the strikers were workers made redundant by small and medium-sized companies—the sort of companies which made up the core of Japan's estimated 18,741 bankruptcies in 1977 which went bust with an estimated aggregate of Yen3,000bn. (over £60bn.) in outstanding liabilities.

It is not rare to see workers made redundant take up their positions in picket lines outside the big Japanese banks which can make or break most companies: but it is an ironic signpost of the growing foreign presence in Japanese banking that the protesters are starting to aim at the non-Japanese banks which withdraw financial support from ailing industries, thus helping them to the brink of bankruptcy.

Protest

The banks themselves have begun to protest, too, at the gloomy outlook for lending to Japan in 1978, but none of this has deterred newcomers. In January, the Bayerische Vereinsbank became the 59th bank to do branching operations in Tokyo (compared with only 19 back in 1971). Before that, five banks opened branches in 1977: Westdeutsche Landesbank, Credit Suisse, Commerzbank, the Development Bank of Singapore and the National Bank of Pakistan. Others are about to open, including Midland Bank.

But there is almost no foreign presence on the deposit side. Foreign branches account for less than 1 per cent. of total deposits in Japanese banks because unwritten rules keep them from attracting clients away from the Japanese banks. Consumer finance was also taboo until recently, but the arrival in 1977 of a strong foreign competitor (Avco Financial Services) has set many foreign managers to weighing the possibilities of going into this type of lending. Certainly, all the banks are faced with a depressing one or two years ahead of them and more diverse operations seem the only way to avert the worst.

If foreign bankers are now ill-at-ease about their profits in 1978 and 1979, it is a new phenomenon. Between 1971 and 1976, the outstanding volume of loans made by the foreign banks rose remarkably: from Y723bn. at December, 1971, to Y3,512bn. at March, 1977. The most recent balance sheet for the business term to last September, show they had Y3,637.5bn. in loans under management—and in most cases profits rose even more steeply over the period. First signs of the squeeze on bank lending are possible to detect in the 1977 performance of many foreign banks. The biggest, Citibank, witnessed a slignt decline in outstanding loans but remains a major force even among Japanese banks with Y501bn. in loans.

Taken together, the big three American banks account for 35 per cent. (Y1,300bn.) of total foreign bank lending in Japan: in contrast, the three German *Grossbanken*—Deutsche Bank, Dresdner Bank and Commerzbank—together boast half as many loans as Citibank alone. Many smaller banks, however, boosted their loans under management during the year to September, 1977, so was the downturn really visible? The answer is yes, although it is hard to quantify because there are no published figures on the relative shares of dollar and yen lending in the foreign banks' loan fortfolios. But as a rule, in 1977 many banks were forced to do more dollar lending than yen, and at cheaper margins, and with the very real prospect in sight of massive dollar-loan repayments in 1978. So the profitability of loans has declined—perhaps sharply—despite an overall increase in outstanding volume.

Foreign banks, in fact, are caught in a squeeze between the yen's rapid rise (by over 20 per cent. in 1977) and Japan's record high level of foreign exchange reserves ($22.8bn. at December 31). There is no shortage of dollars in the Tokyo market, and as a result the lending margin over the London interbank rate (LIBOR) has receded steadily from over 1 per cent. in early 1977 to the prevailing five-eighths in January 1978. What is more, there are rumours of a combined attempt by several Japanese companies to cut the margin over LIBOR to half a percent—a level which few foreign bankers reckon is profitable.

CONTINUED ON NEXT PAGE

THE TOP TWENTY

Rankings of the foreign banks in Japan according to outstanding loans at September 30 (figures supplied in advance, will be published next week).

New (old) ranking	Bank name	Outstanding loans at 30.9.77 Ybn.	30.9.76 Ybn.
1 (1)	Citibank	501.1	502.3
2 (2)	Chase Manhattan	404.6	385.5
3 (3)	Bank of America	378.0	368.2
4 (4)	Morgan Guaranty	174.7	169.1
5 (5)	Deutsche Bank	139.7	117.5
6 (6)	Manufacturers Hanover	123.5	110.0
7 (8)	Chemical Bank	101.6	86.0
8 (10)	Bankers Trust	100.5	80.9
9 (9)	Dresdner Bank	92.9	82.8
10 (7)	Continental Bank	92.6	89.6
11 (11)	Algemene Bank Nederland	86.5	80.4
12 (13)	Swiss Bank Corporation	71.6	70.0
13 (12)	Barclays Bank	70.8	72.0
14 (14)	National Westminster	67.8	60.9
15 (19)	Lloyds Bank International	61.8	49.1
16 (15)	Societe Generale	61.2	55.3
17 (16)	First National Bank of Chicago	60.6	54.3
18 (na)	Westdeutsches Landesbank	60.2	na
19 (18)	Security Pacific	59.0	52.9
20 (17)	Union Bank of Switzerland	54.7	53.1

* Old ranking is for 30.9.76 business results.
Source: Bank Reports.

Overseas business picks up

JAPANESE BANKS' overseas activities picked up during last year after a three-year lull following the oil crisis in the autumn of 1973, and are expected to become more aggressive this year.

As described in another article in this survey, Japanese companies have been extremely cautious about investing overseas since the oil crisis. The foreign operations of Japanese banks are closely tied to the overseas activities of the rest of Japanese industry, so a reduction in fund demand in that area directly affects banks' activities.

In addition, the Japanese Government had banned various banking activities since 1974—such as short-term lendings by Japanese banks' overseas branches to Japanese-affiliated companies abroad, syndicated loans by Japanese banks to foreign borrowers, bond flotations by foreigners in the Tokyo market, and so on.

Moreover, Tokyo froze establishment of banks' overseas and joint venture banks in which Japanese banks shared more than 50 per cent., as a principle, for a year to last March.

The restraints have come off one after another, and Japanese banks have begun to expand again. Their overseas branches, for instance, increased by 17 in the 17 months to last November (to 118 in all). They are almost ubiquitous now—48 in the U.S., 41 in Europe (of which 21 are in London), 26 in Asia, and three in Latin America.

Japanese banks are organising syndicated loans to overseas borrowers again. More than three years ago, their aggressive tactics set off a red-hot competitive battle which eventually brought a clampdown by their own government. But the ban was lifted over a year ago, and since then, Japanese banks have joined various multinational syndicated loans and formed syndications among themselves.

A big departure from their operations in the early 1970s is that the banks are now lending increasingly in the yen. For one thing, the Japanese government is recommending that banks participate in yen syndications as much as possible, to prevent a repeat of excessive Eurodollar borrowings by the Japanese banks to finance their dollar lendings of a few years ago. The banks, remembering their earlier experiences, are more than willing to cooperate.

Loans

As a result, nine yen syndicated loans were extended last year to banks in Peru, Mexico, Brazil, Iran, Denmark and Thailand, as well as public corporations in Brazil, Province of Quebec in Canada and Mexico.

The largest of them was a Y25bn. loan, worth $104m., to Petroleos Mexicanos, the Mexican nations oil corporation, signed late last month. Lenders included 16 Japanese banks headed by Bank of Tokyo, the lead manager, and two Japanese life insurance companies. The loan was for eight years, including a 3½-year grace period. The interest rate was set at 8 per cent. annually during the first five years and 8.1 per cent. for the remainder. The oil company planned to use the proceeds to build pipelines and refineries.

Japanese banks have also participated in dollar-denominated loans. Nippon Credit Bank joined a $50m., seven-year loan to Karun Argo-Industry of Iran, Tokai Bank took part in a $50m., seven-year loan to Public Power Corporation of Greece, and Bank of Tokyo, a $125m., seven-year loan to the government of Tunisia, to name a few.

Outstanding loans by Japanese commercial banks, according to the Japanese Finance Ministry, amounted to $9bn. at the end of last November, and roughly a half was lent to developing countries.

Japanese banks have recently become cautious about lending because of the well-publicised questions about the creditworthiness of some of the borrowers who are applying for syndicated loans these days. Increasingly, requests are coming from developing countries which suffer from unfavourable payment balances. An executive of Dai-Ichi Kangyo Bank, the largest Bank in Japan, said, "In some cases we are forced to participate in syndications asked by the government." But as private institutions, there are limits to how much the commercial banks can prudently lend to developing countries with doubtful credit standings.

One executive of the Bank of Tokyo (recently the most aggressive in syndication, participation) noted, "We cannot lend money to countries which have already borrowed excessively, but we will lend to those countries which are able to repay and also have significant natural and manpower resources, even if their payment balances are unfavourable."

The official suggested Singapore and Korea as two countries which fell into this category. Bankers are particularly willing to make exceptions for countries which have resources Japan lacks. Brazil and Mexico are good examples and have big borrowings from Japanese banks. Bankers suggest that Canada and Australia, resource-rich nations, may also become borrowers from Japanese banks.

One recent phenomenon is that Japanese trust banks are becoming especially aggressive in offering long-term yen loans to overseas borrowers. Last year, six trust banks put together a syndicated loan among themselves—before they had only participated in syndications formed by city banks. Headed by Mitsubishi Trust and Banking Corporation, the six trust banks provided a Y20bn. loan to Hydro Quebec of Canada.

In another case, two trust banks, Mitsubishi Trust and Banking and Nippon Trust and Banking Corporation, joined a $425m. ten-year loan for Mexico's National Investment Bank, of which $45m. was financed in yen.

Safe

One executive of Mitsubishi Trust and Banking said the long-term yen loans made it possible to "operate pension funds in a safe and profitable way." He explained: "In the case of yen loans, lenders don't have to shoulder the exchange risks and that is very attractive to us."

In the area of fund raising in the Eurodollar market, a new vehicle was invented by two Japanese banks last year. Dai-Ichi Kangyo and Sumitomo launched a previously unheard of instrument, the floating-rate Eurodollar certificate of deposit. Unlike other international banks, most Japanese banks cannot issue floating-rate notes under Japanese regulations. A host of other Japanese banks have jumped on the bandwagon and tried out the new vehicle. The banks finally pulled themselves out of a bind that had become increasingly vexing since more and more overseas borrowers sought floating-rate, longer-term money.

On the other hand, long-term credit, Bank of Japan and Nippon Credit Bank, which are allowed to issue notes, are planning to issue floating-rate notes in dollars in Europe and Singapore soon.

Thus, Japanese banks' foreign operations have resumed, but their overseas business is still relatively small, at least compared with leading American and European banks, because of their latish entry onto the international scene. Mitsui Bank reports, for instance, that some 16 per cent. of its earnings come from overseas operations, and for most other Japanese banks the figure is even lower. The sole exception is the Bank of Tokyo, the specialised foreign exchange bank, which finds some 50 per cent. of its earnings come from abroad. There is a certain consensus that the foreign banking portion of the total earnings of Japanese banks will not exceed 25 per cent. or 30 per cent. even looking well into the future—domestic banking will remain as their major business.

Yet despite that concensus, there seems very little doubt about the direction in which things are heading—the ubiquitous Japanese banks are almost certain to become more ubiquitous in years ahead.

Atsuko Chiba

Foreign

CONTINUED FROM PREVIOUS PAGE

Moreover, the stage is set for a major shift out of impact loans by Japanese corporate borrowers—and this has got many foreign bankers worried since demand for yen does not look like picking up for at least another 18 months.

The boom in impact loans reached its climax in 1975 when the foreign banks lent about £1bn. in foreign currency (usually U.S. dollars) to Japanese companies. One banker's guess is that the 1977 figure will be just over half the peak, and if margins decline further the 1978 volume of new impact loans will dwindle to low, pre-oil crisis levels.

More importantly for the bankers who are spending much of their time just trying to hold the line at their present lending levels, many Japanese companies will want to prepay their dollar loans and take the exchange rate gain themselves: for instance, a loan for Y10m. made in dollars in December 1976 could be repaid fully just one year later with only Y8m. because of the yen's appreciation. Some banks have been cautious not to let companies write a prepayment clause into their impact loan agreements but it is an exception to the rule. So companies are legally entitled in most cases to prepay: and since foreign banks rely on impact loans for about half their loan portfolios, wholesale repayment could spell disaster.

But will the companies pay? Bankers differ in degrees of pessimism, but most anticipate a rush of prepayments when the yen's rise has run its course, and indications are that an exchange rate of Y2[illegible] to the U.S. dollar would set the machine in motion.

All told, the foreign banks in Japan have about $6bn. in outstanding impact loans to Japanese industry. It is estimated that in fiscal 1977 (to this March) scheduled repayments will amount to $850m.; on top of this, one analyst reckons that at least $30m. in prepayments have already happened and the figure could go much higher (if and when the yen strengthens).

Encouragement

Foreign bankers doubt that the Bank of Japan or Ministry of Finance will encourage companies to prepay their impact loans and turn round to borrow back the money at to-day's lower interest rates. But some of this has happened. More often, the companies are flush with funds anyway because of low capacity-utilisation rates in industry which make new investment unattractive. So the flood of prepayment (when and if it comes) will probably not be placed, leaving the foreign banks with a gaping hole in their bread-and-butter business.

It is impossible to quantify the risks being run by foreign banks on the impact loans they have concluded at marginal rates over Libor, but the risks are there. Some bankers are resigned to a significant drop in their lending levels this year, a fact of life new managers will want to explain to their bosses at their home offices. According to one recent estimate, the foreign banks will have maintained their 1976 level of yen lending in 1977. But even this is unlikely to continue in 1978 since Japanese banks can compete more effectively. They now have to pay substantially less for their loan capital (out of deposits) than do the foreign bankers. The latter are put at a disadvantage by the strict limits placed on the amount of foreign currency freely convertible into yen for relending inside Japan, the so-called "swap" quotas beyond which foreign banks must take recourse to the local—and more expensive—bill discount market for yen loan capital.

The answer for most bankers is simple, diversify. The opening of several foreign exchange dealing rooms in 1977 has finally given foreign banks the clout with which to press for a more international market in Tokyo, and dealers say their profits last year may well recoup some of the costs of bank lending at lower margins. But exchange dealing in Tokyo is still an infant industry, and a dangerous one at that. As it is, lending to Japanese business is proving dangerous enough—although foreign banks have been graciously protected from debt defaults in the fallout from major bankruptcies by the Finance Ministry which does not want the international banking fraternity to get wind of how deep some bankruptcies are cutting.

D.R.

Uncertainty in stock markets

SINCE EARLY in 1976 it has been de rigeur for Japanese Government spokesmen to speak of the desirability of reflating the economy through a combination of liberal, fiscal and monetary policies. Yet a glance behind the smokescreen of "massive public works programmes" shows the very different reality of policies dominated by fears of rekindling inflation and the Ministry of Finance's determination to return as quickly as possible to the balanced budget.

To take fiscal policy first, study of the receipts and payments of the Treasury accounts indicates that total disbursements during the year to March, 1977, rose by only 9.3 per cent. compared with a rise in receipts excluding those from bond issues of 10.2 per cent.; in the six months to September, 1977, following Premier Fukuda's unfortunate promise to achieve real GNP growth of 6.7 per cent., disbursements increased by 14.1 per cent. against an increase in receipts, less Government bond issues, of 42.2 per cent. The fiscal conservatism was fully matched by the slowdown in growth of money supply (M2) both in nominal and real terms throughout 1977. Under the circumstances it is not surprising that the export-led economic recovery of 1976 failed to be sustained by improvements in consumer and business confidence in 1977, or that manufacturing industry continued to look to overseas markets to sustain its operating rates.

The failure of the Government to close the deflationary gap created in the aftermath of the oil crisis led directly to the accumulation of growing trade surpluses in 1977, and in consequence to upward pressure on the currency: to the dismay of both Japanese industry and Government, the yen rose by some 20 per cent. against the U.S. dollar during 1977.

The developments outlined above provide the clue to stock market behaviour during last year: the remarkable upsurge in corporate profits (admittedly from low levels) which lasted until mid-1977 was basically confined to those industries spearheading Japan's most recent export drive, primarily the automobile and electrical appliance manufacturers, their related suppliers and sub-contractors, and precision product manufacturers. Companies in these sectors had come to be regarded in 1976 as the high growth export-related blue chips, and their stock prices surged accordingly as they attracted both domestic and foreign purchasing. Last year revealed, however, the potential fragility of earnings of nearly all these companies in the face of factors beyond the control of their managements: such factors included protectionism (as when, early in the year colour television producers were forced into "voluntary" cuts in their exports to the U.S.) and, of course, the instability of foreign exchange markets.

Influence

Although in many cases the profit figures published by the export-related blue chips during 197 showed little influence from the strength of the yen (much of which only materialised very late in the year) the movements of their stock prices illustrated very clearly the old adage that stock markets hate uncertainty above everything. Thus, during a period when the indices fluctuated within a moderate 15 per cent. range, the prices of many of the best-known 1976 fliers fell by as much as 50 per cent. (The performance of some of the weaker electronic and automobile component manufacturers "discovered" by the market for the first time in 1976 was even more disastrous in 1977 though the justification in many of these cases was rather more apparent.)

By the end of the year, when the selling of everything connected with exports reached a climax as trade relations between Japan and America appeared to be deteriorating repadily, the somewhat anomalous situation had developed where some of Japan's best companies in terms of international competitiveness, technological leadership, financial soundness and so on, were selling on price/earnings ratios of as little as a half of those of the admittedly distorted market averages. Even after allowing for considerable uncertainties surrounding the outlook both for the volume and profitability of exports in 1978, this level of discount was remarkable. It has been interesting to note that the "traditional" January market rally was led by the depressed exporters as the threat of imminent American protectionism against Japanese goods appeared to have been rolled back by the amicable conclusion to the trade negotiations between the two countries.

Intensifying concern over the future of corporate earnings in the event of economic recovery proving unsustainable did not lead to a more general bear market in 1977 because of rising levels of liquidity in the economy coupled with the reductions in interest rates during the year. Basically, the savings ratio of the private sector remained high while the demand for those funds from the corporate sector stayed depressed; although demands from the public sector continued to grow rapidly, their importance in relation to total money supply is still not significant by Western standards.

Ratings

Under these circumstances and in the absence of any tradition of investing abroad, cash available for the domestic securities market showed a rapid increase, helping to sustain stock price ratings in many sectors at levels which appear (as they have almost always appeared) unjustifiably high to foreign observers. Because of the latter factor, overseas opinion has little influence on policies in such sectors. By contrast, foreign selling can have a marked influence on the prices of the relatively small number of shares in which overseas investors have concentrated traditionally. This was made clear during the bear market of 1974 and again, in the case of the export-related blue chips, in 1977.

Surplus liquidity helped merely to sustain equity prices last year, but its influence on the bond market, where concern about corporate earnings is immaterial, was much greater. Cuts in regulated interest rates coupled with a slowdown in inflation combined to attract funds from both domestic and foreign institutions. Yields in the secondary market dropped to a post-war trough by the end of the year. From an overseas investor's viewpoint, the gains from bond investments were in most cases compounded by the appreciation of the currency. This has resulted in the generation of bullishness about the future course of the bond market, and, at the time of writing, secondary market prices are anticipating a further cut in both the official discount rate and in long-term interest rates (hence the future issue prices of Government bonds, and corporate and bank debentures).

These cuts were originally expected in January but, because of the raising of the prime rate in America, they have been delayed. It is probably true that, if Japanese interest rates were regulated purely by market forces, they would already be lower, but this is not the case. Under the circumstances, therefore, it is relevant to enquire whether, in the eyes of the Government, further reductions would have any beneficial economic effects.

The experience of the past two years indicates that the cost of money is probably no longer a relevant factor in promoting private sector investment, given the substantial deflationary gap which still exists in the economy. At the same time, lending margins are already under severe pressures even in the case of the major city banks, and the situation among the secondary financial institutions in which Japan abounds is almost certainly worse. This is not a healthy state of affairs when financial institutions are also bearing the brunt of an unprecedentedly high level of corporate bankruptcies. In other words, if the Government wishes to reduce lending rates further, it will be obliged to take the electorally unpopular step of cutting deposit rates also—and possibly by a larger margin than the reduction in lending rates if stability is to be maintained within the financial system. It is certainly possible that one more reduction in official interest rates will occur, though it will probably be effected in order to discourage overseas speculation in the yen rather than in any hope of promoting domestic economic activity. In fact, another cut would be tantamount to an admission by the Government that its latest round of fiscal measures for stimulating the economy was not working. If this proves to be the case, the yen has, even at current levels, further upside potential against the dollar, so that holdings of yen bonds could still be advantageous to certain categories of overseas investors. It is unlikely that interest rates in Japan can be reduced much further without causing severe damage to the already strained financial system, and this must place a ceiling on the potential upward movement of the bond market in yen terms not far above present levels. Holders would do well to remember the experience of 1974 which demonstrated that the Japanese bond market can be remarkably illiquid.

Returning to the equity market which has, at the time of writing, itself returned to within 6 per cent. of its all-time high, it is obviously tempting to conclude that the general ratings of stocks—and in particular the internationally very low 1.7 per cent. average yield—do not adequately discount the risk that the latest package of fiscal measures announced by the Government will, like all their predecessors, fail to restore Japan's economic health. This is indeed the case, yet stock prices have held remarkably firm despite predictions from virtually all non-official Japanese economic authorities that the Government's target of 7 per cent. real GNP growth in the fiscal year 1977 is unattainable.

Rationale

A possible rationale is that investors consider that the Government must succeed in stimulating domestic demand simply because the costs of failure would be too high in terms of appreciation of the currency, overseas protectionism, corporate bankruptcies and unemployment. Thus, even if the proposed reflationary measures prove inadequate, others, including major tax rebates, will be brought in until the proper degree of stimulus is achieved. There is validity behind this argument, as there is behind the opposing line that, by failing to reflate while exports and corporate profits were booming, the Government has been forced to do so when the reverse is likely to prove true, so that its chances of success are marginal.

Almost certainly, if the Government fails, the implications for Japanese industry and hence the stock market will be catastrophic. However, the Government has not so far actually pursued any serious reflationary policies: it may be premature to write off in advance the potential effects of a switch in favour of genuinely expansionary programmes. Japanese investors are certainly not doing so, despite being inundated by a series of gloomy economic and corporate profit predictions. As long as they do not become disillusioned, the relatively high ratings of Japanese stocks in general are sustainable, despite their unattractive appearance to outside observers.

Anthony Newsome

THE EEC ATTACK ON INDUSTRY AIDS ● BY COLIN JONES

Britain in the dock

A LOT of unnecessary fuss is being made over the objections the European Commission has raised to two of Britain's industrial subsidy schemes: the temporary employment subsidy and the offshore supplies interest relief grant. It is unnecessary, first, because the Commission has not been asking—as has been suggested—for the two schemes to be wound up; and, second, because what it does want is certain modifications which—on any dispassionate view—would seem to be not only fair and reasonable but would probably be in the British long-term interest too.

Neither can one say, as the Prime Minister implied in the Commons the other day, that the issue has become a confrontation between the Commission's out-dated view of the role of competition in a market economy and the politicians' need to temper the impact of adverse economic circumstances. On the contrary, the Commission has always accepted industrial subsidies as a necessary instrument of national (and Community) policy.

Indeed, the Treaty of Rome specifically provides for such measures to be taken in areas of severe unemployment, at times of serious economic disturbance, or to promote the development of a particular industrial sector. The one big proviso—and this is where the Commission comes in—is that such measures should not have effects which are incompatible with the idea of a common market, such as subsidising exports to, or discriminating against imports from, other members or by exporting unemployment to other parts of the Community.

The Commission has not departed from this—on the whole—permissive approach in spite of the proliferation of aids in all Community countries since the onset of the post-1973 recession. It has not generally objected to aid schemes designed to boost investment, industrial training, or the re-structuring of especially hard-hit sectors. Nor, in particular, has it opposed the introduction of recruitment for redundancy-avoidance measures, including, among many others, Britain's temporary employment subsidy. As originally conceived in the summer of 1975, this scheme could be defended as a relatively inexpensive and short-lived way of keeping people off the unemployment register. But since then changes have been made.

Not only has the scheme's coverage been extended from the assisted areas to the whole of Britain and the threshold of impending redundancies in each firm been reduced from 50 workers to 25 and then to 10, but the rate of subsidy has been doubled to £20 a week for each retained full-time employee and the maximum period of payment has been extended from six months to a year and then to 18 months (albeit at a lower rate of £10 a week during the final six months). These changes, and particularly the last two, have considerably increased the risk of saving jobs in subsidised companies at the expense of sales, and thus output and jobs, somewhere else.

If job displacement were limited to this country, the Commission would have no standing in the matter—for it is no part of its job to dissuade governments from being silly if their actions create no Community issue. But it is extremely unlikely that the subsidy is not having an effect upon intra-Community trade. In the first place, as an official study in the Department of Employment Gazette noted last year, the longer the subsidy is paid to a particular company the greater are the chances of displacement occurring. Secondly, as the table shows, about half of the payments have been going to just two sectors, textiles and clothing.

TEMPORARY EMPLOYMENT SUBSIDY

August 18, 1975 - March 31, 1977

Sector	Workers covered No.	% Sector Labour force
Clothing and footwear	64,038	17
Textiles	52,864	11
Leather	3,473	8
Timber, furniture	7,164	3
Shipbuilding	4,064	2
Other manufacturing	74,055	1
Manufacturing	205,658	3
Other industries and services	23,589	0
Total	229,247	1

Throughout the Community these two industries have been particularly hard hit by the recession in demand and the upsurge in imports from third countries, and the Commission has been struggling hard to prevent the profusion of national aid schemes degenerating into a Dutch auction. The scale on which TES is being paid is on an altogether different level, however. At something like £100m. in the current financial year, it must far outweigh anything the two industries are getting from other U.K. regional and sectoral aid schemes. By last March about 18 per cent. of their employees had been covered, as against 1.3 per cent. in the rest of manufacturing industry. And because an unusually high proportion of their workers are women on relatively low rates of earnings, the subsidy has represented a very large slice of their employers' payroll—the Commission's estimate is anywhere between 20 per cent. to 40 per cent.

SUBSIDIES PAID

	T.E.S. £m.	Off. Supp. £m.
1974-75	—	0
1975-76	3	1
1976-77	32	5
1977-78	223	n.a.

T.E.S.: Temporary Employment Subsidy.

Off. Supp.: Offshore Supplies Interest Relief Grant.

The Commission has accordingly proposed that three changes be made if the scheme is extended beyond its present termination date of March 31 or if it is replaced by a similar arrangement. First, payments should be limited to six months in the first instance, with the possibility of a further six months at a lower rate if a re-organisation plan is made or if there is a prospect of providing other employment for the employees concerned. Secondly, a way should be found of avoiding an undue concentration on any one sector. Finally—a point the Commission generally makes in these circumstances—it wants to be told in advance about any major cases.

None of those points seem objectionable in principle, nor should they be particularly hard to live with if, as is hoped, the new multi-fibre agreement brings a greater measure of stability and if, too, consumer demand begins to recover. Nor, if the Government chose, would the Commission's proposals rule out alternatives such as a special recruitment subsidy or a scheme to supplement the pay of workers on short-time as operated in other Community countries, provided these were not also gradually turned into a semi-permanent employment subsidy as TES had become.

The Community implications of the offshore supplies interest relief grant were also not foreseen when it was introduced—by the Heath Government — in November, 1973. At that time the offshore supplies sector was not particularly well developed anywhere in the Community, and the scheme was designed to help British firms which, because they were supplying operators in the U.K. sector of the continental shelf, were ineligible for ECGD facilities but which were competing with U.S. and other companies that had access to loan finance at preferential rates from their national export credit institutions. The scheme accordingly offered them an interest relief grant of 3 per cent. a year for up to eight years on credit obtained to finance the manufacture and installation of British equipment, components and services in the U.K. sector.

The growing importance of other Community suppliers and the growing size of the U.K. continental shelf market (over £500m. worth of contracts had been registered for grants under the scheme by last March) have changed the situation dramatically. The Commission is prepared to approve of the scheme either as an aid to the purchasers or as an aid to the suppliers, provided in each case the discrimination in favour of British suppliers goes (by making them eligible for ECGD facilities, perhaps?).

The Commission's insistence should surprise no one for, if it does not dig its heels in against the more blatant instances of intra-Community discrimination—as it has done on many occasions in the past against France, Italy and several other members—there would be no end to the erosion of the common market concept.

It is true that the Commission has been fighting something of a rearguard action against proliferation of national aid schemes—and not a particularly successful one even before the world trade recession added new pressures to those generated by the earlier progress towards trade liberalisation, both within and without the Community. It has drawn up guidelines for regional aids, sectoral aids, environmental protection aids, small business aids, and so forth.

It has developed a system of scrutiny — which the U.K. Government and others generally observe. It has repeatedly pointed out the dangers of looking at industrial subsidies only from a national point of view, and thus risking costly rivalry and the reciprocal neutralisation of national efforts. And it has tried to persuade member governments to concentrate upon aids which are appropriate in form and amount to the scale of a particular problem; which are temporary and digressive so as to avoid merely protecting the status quo; which are sufficiently selective so as to be limited to companies capable of getting back on their own feet; and which are sufficiently transparent so as to reveal the true cost both to the employers and governments concerned and to the rest of the Community.

At the more technical lev[el] the Commission has at la[st] cracked the problem of devisin[g] ways of making all forms o[f] aid, including the more opaqu[e] forms such as tax concession[s,] loan guarantees, and equi[ty] purchases, sufficiently measu[r]able to be able to set abou[t] assessing their impact sector b[y] sector. More important tha[n] that, it is now dawning on th[e] world's major trading nation[s] that unless some kind of inte[r]national Queensberry Rules o[n] industrial subsidies are thrashe[d] out during the present GAT[T] round or under OECD aegis, th[e] world could easily slip into [a] protectionist abyss. And th[e] trigger could well be the U.[S.] Trade Act of 1974 which, in th[e] absence of some kind of co[n]cordat, will from next Januar[y] make mandatory the impositio[n] of countervailing duties on a[ll] U.S. imports receiving a pr[o]duction or export subsidy in th[e] country of origin.

Terry Kirk

A successor to the Temporary Employment Subsidy is being devised by Mr. Albert Booth (left), Employment Secretary, to meet objections raised by M. Raymond Vouel (right), the European Commissioner for competition.

Letters to the Editor

Unions hamper employment

From the Chairman, Acrow.

Sir,—You conclude your leader of January 26 saying that there should be more emphasis on training on new skills and, what is undoubtedly correct, that we have the daunting task of providing a lot more jobs over the next few years, just to stop unemployment getting much worse.

There is a big opportunity in one particular area of making a significant improvement in employment and increasing productivity at the same time, which we are seriously neglecting. I refer to the upgrading and dilution of skilled workers in that vital area of our economy, heavy engineering.

Output across the country is being seriously curtailed and limited by shortages of key skilled labour. Every heavy fabrication works and almost every large machine shop have long standing unfilled vacancies for skilled workers such as platers, class I welders, skilled machinists, etc. Each one of these recruited brings into productive employment other skills, semi- and unskilled workers in the team related to his activities.

There is agreement at national level that subject to local approval dilutions and upgradings can proceed where agreed long standing vacancies exist. It is, however, almost impossible to implement this because of local union resistance. I am confident that with more flexibility from the union side, many more people could be employed.

In addition, greater emphasis should be placed on mobility of labour. For instance, in our works at Saffron Walden, Essex, we have a number of vacancies for which we can find no suitable labour.

W. A. de Vigier.
8, South Wharf, W.2.

Energy planning pitfalls

From Mr. M. Virr

Sir,—I was very interested to read the article on "Pitfalls for energy planners" (January 26).

How right David Fishlock is in stating that there is a real danger of falling into the trap of going too big too quickly, as the Central Electricity Generating Board and the boiler industry did for the 2,000MW stations in the 1960s and also demonstrated the MHD (magneto hydro-dynamics) disaster on a relatively large scale.

The late Professor Elliott, the actual inventor of the shallow fluid bed for burning coal and pressurised fluid bed, was a great advocate of getting small demonstration plant working correctly before going larger. It is essential that the engineering detail is correct for specific performance and reasonable life to be achieved. Nowhere was this better demonstrated than on the corrosion problem of tube supports on the Magnox reactors.

As far as fluid beds are concerned, I think Mr. Fishlock's analysis is entirely correct in stating that the smaller commercial and large factory boiler will be the first application simply because demonstrations on this scale have already been achieved.

The large boilers for utility use are another matter altogether and would probably be based on a pressurised system with a combined steam and gas turbine cycle. The viability of such a system will not be proven until the Grimethorpe facility has been run successfully, preferably with a gas turbine on the back end. As this will not be well into 1980 and it takes five or six years to build a power station, fluid bed boilers of 660MW cannot possibly become a reality until the late 1980s at the earliest.

Michael J. Virr.
Washington Street,
Netherton,
Dudley, West Midlands.

Delays at airports

From Mr. D. Churchouse

Sir,—While I sympathise with Mr. Flint (January 26) and all who suffered lengthy delays at Heathrow on January 20, similar problems occur elsewhere with monotonous regularity.

On a recent visit to Chicago I queued for 90 minutes before even arriving at the immigration desk. The first 20 minutes were spent standing in the rain because the building was full, followed by over an hour slowly shuffling along a claustrophobic corridor with inadequate ventilation. Natives with whom I was being herded told me this was quite normal, if hardly a good way to welcome foreign guests.

Airports such as Charles de Gaulle, Schipol and Frankfurt all look as though they were built for the 1980s, but the staff are just as unhelpful and full of the "airport blues." Heathrow seems to be the only airport which is permanently being built and with such high volumes it must be hell to work there.

D. M. Churchouse.
20, Newlay Grove,
Horsforth, Leeds, W. Yorks.

Drivers' hours

From the Director-General, Confederation of British Road Passenger Transport

Sir,—In the vehicle fleet management supplement (January 25) your Transport Correspondent is, as always, perceptive in his analysis of the situation. May I however clarify three points arising from Mr. Hargreaves' article on EEC drivers' hours.

He says the only genuine issue at stake is road safety. Indeed, this is the only genuine issue, but it is in no way at stake. There is no possible benefit to road safety in adopting the EEC system, which is based on social theory, rather than the actual needs of the situation.

Mr. Hargreaves limits his comments on passenger transport to coach journeys. The fact is that many bus journeys, particularly in rural areas, will also be affected, either directly or indirectly. Regular bus services with a route of less than 31 miles are excluded from the scope of the EEC regulation, but in rural areas drivers on these services normally combine duties on other routes within its scope. This affects their entire schedule for the week.

The bus and coach industry has, as indicated, assessed the cost of the EEC regulation at £50m. a year, but only as a hypothetical figure to maintain all existing services at their present level. That will not be possible on economic grounds—even if sufficient qualified drivers were available. The actual cost will therefore be offset by unavoidable reductions in service. We are still hopeful however that we can obtain further relaxations from the current EEC law, before it is fully implemented, which will make the situation less destructive of bus and coach services.

Your readers should understand that the consequences of EEC regulation 543/69 can in no way be blamed on the industry. We have striven for over seven years to obtain a sensible and workable law at the European level. Though British arguments have made little impact on EEC bureaucracy, we shall continue in our endeavours to obtain improvements in this law. Meanwhile, we shall give the public the best service possible, subject to the restrictions imposed upon us.

Denis Quin.
Sardinia House,
52, Lincoln's Inn Fields, W.C.2.

Views on pensions

From Mr. J. Hymans.

Sir,—I fear that Martin Paterson (January 25) and I look on pensions matters differently.

"The contracting-in option is a state insurance proposal with a cost that" can be anything that the Government wants to make it, it certainly is not "a guaranteed cost." The contribution rebate for contracting-out will decrease, but we don't know when and by how much. The employer has three options, one of which he must exercise if he contracts-out, of how he inflation-proofs up to pensionable age the deferred pensions he has to provide for those employees who leave him. He (or his actuary) has to guess whether it is going to be cheaper in the long run to do the inflation proofing himself, or increase the pension by exactly 8½ per cent. a year, or pay a premium to the state scheme and limit his increases to 5 per cent. a year.

On top of that the employer (or his actuary) has to guess what is going to happen to investments in the future when these depend on future economic conditions and decisions by governments on all things affecting businesses. It's not a view we need but a look into a good quality crystal ball.

Despite that, clients want to know what is it going to cost, not "it will be so much if this happens" and "so much if that happens." It is only a very few who are interested in the estimated costs which we have calculated for them on different assumptions.

J. C. S. Hymans.
Hymans Robertson and Co.
St. Bartholomew House,
92, Fleet Street, E.C.4.

Synthetic rubber

From Mr P. Allen

Sir,—Mr. D. Warburton has commented (January 24) on Press reports of the abandonment of a major U.K. synthetic rubber project which had been promoted as part of the U.K. industrial strategy.

These reports suggest that the reason for abandonment is that current prices for the North Sea feedstock (butane) are too high for the project to be viable. I have no knowledge whether or not this was the main reason, but there is another aspect to be reckoned with.

This project envisaged construction of a plant with an annual capacity of 300,000-500,000 tonnes, the product being the synthetic rubber polyisoprene. This rubber can be sold only on the basis of direct replacement of natural rubber, and indeed one objective of the proposal was to displace very large quantities of imported natural rubber from the West European market (not just the U.K.).

The [illegible] of competition on this scale would be [illegible] of the world price of natural rubber. Since the open market price for polyisoprene has to be close to that of natural rubber (over which it possesses no technical advantages) the result would be a lowering of the price of both rubbers over that which would prevail in the absence of this U.K. plant. Most natural rubber comes from smallholders, whose cost structure is such that they can produce, albeit unhappily, at very low prices. Not so for the synthetic rubber: price erosion (starting from current levels) would eventually make the U.K. plant uneconomic at any realistic price for the feedstock. Given the way that natural rubber production and marketing works, a polyisoprene plant on the scale envisaged could not be economic under present and likely foreseeable circumstances.

Mr. Warburton observes that the U.K. plant would have created some 1,500 permanent jobs. For the record, every 100,000 tonnes per year of natural rubber produced in South-East Asia provides employment for at least 25,000 workers.

P. W. Allen.
(Assistant to the Director),
Tun Abdul Razak Laboratory,
Malaysian Rubber Producers' Research Association,
Brickendonbury, Hertford.

U.S. money stock

From Mr R. Atkins

Sir,—Further to my letter of January 24 and Mr. Wilkinson's reply the following day, I feel obliged to refer specifically to the question of lending in the U.S. banking system to finance operations against a weak dollar.

Suppose that at the beginning of a particular financial year the U.S. Administration plans a budget deficit of £60bn., and that against this the U.S. Treasury auctions $50bn. worth of debt. If these were the only influences on the money stock then a wider definition of money would increase by the difference, that is $10bn. If, however, U.S. bank lending grew by $100bn., and the funds so lent were converted into foreign currency, then foreign central banks could find themselves accumulating $100bn. These dollars would tend to be reinvested in U.S. Treasury debt and the U.S. Treasury may supply them as much debt to foreign central banks as was [illegible] needed. In this very extreme case the U.S. authorities would end up supplying $50bn. to the domestic market and a broadly defined money stock (in the absence of action by the Federal Reserve to raise interest rates) would grow by $110bn. This bank lending would be fully reflected in the money stock and the Federal Reserve would raise interest rates in an attempt to counteract such lending.

If a more practical example is required it should be remembered that last year, despite foreign central bank purchases of U.S. Treasury debt estimated to be in excess of $30bn., the U.S. money stock on the M2 definition grew by approximately $65bn. or 8.9 per cent.

R. G. Atkins.
15, London Street, E.C.3.

To-day's Events

GENERAL

Prime Minister meets Scottish TUC delegation on devolution proposals.

Dr. David Owen, Foreign Secretary, holds meeting in Malta with Mr. Joshua Nkomo and Mr. Robert Mugabe, joint leaders of the Patriotic Front, which is not a party to the Rhodesian Government's talks with internal nationalist groups.

EEC Fisheries Council meets, Brussels.

Sir Charles Villiers, British Steel Corporation chairman, gives evidence in private to House of Commons Select Committee on Nationalised Industries.

Chinese delegation arrives in Brussels and is expected to open negotiations for a five-year general trade agreement with EEC.

Shop stewards representing Shell tanker drivers discuss improvements they seek in 15 per cent. pay increase offered by company.

Petition signed by more than 1m. people urging voluntary retirement for men at age of 60 is presented to House of Commons by its principal sponsor, Mr. Greville Janner (Lab., Leicester West).

Sir Peter Vanneck, Lord Mayor of London, and his Sheriffs attend dinner given by London Court of Arbitration at Baltic Exchange.

Photography at Work Exhibition opens, Harrogate Exhibition Centre (until February 2).

PARLIAMENTARY BUSINESS

House of Commons: Debate on employment. Motion on EEC documents on Excise Duty Harmonisation.

House of Lords: Domestic Proceedings and Magistrates' Courts Bill (HL), second reading. State Scheme Premiums (Actuarial Tables) Regulations 1977. Foreign Boycotts Bill, second reading.

COMPANY MEETINGS

See Week's Financial Diary on Page 24.

OPERA

D'Oyly Carte Company in Iolanthe, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

BALLET

Royal Ballet dance La Fille mal gardee, Covent Garden, W.C.2, 7.30 p.m.

MUSIC

Paul Berkowitz gives Mozart piano recital, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

Elizabeth Priday (soprano) and Timothy Day (organ) in programme of works by Monteverdi, Frescobaldi, Gabrieli and Michelangelo Rossi, St. Andrew-by-the-Wardrobe, Queen Victoria Street, E.C.4, 1.05 p.m.

COMPANY NEWS

Confidence at Trident TV

LEGISLATION over the future of broadcasting is urgently needed to make possible forward planning in television. However, assuming the present ITV structure continues Trident Television's two companies, Tyne Tees and Yorkshire, will shortly apply for fresh contracts and they can stand on their record with confidence, Mr. G. E. Ward Thomas, group chairman, assures members.

He says that the directors have done their utmost to impress on the Government and the IBA the importance of allotting new contracts without delay, as *ad hoc* extensions and prolonged uncertainty can only impair investment decisions, programme performance and service to the viewers.

After payment of £8.7m. (£5.59m.) Exchequer levy, taxable profit for the year to September 1977, expanded to £7.35m. (£4.83m.). Turnover was ahead from £47.18m. to £60.54m.—as reported on January 18. The net dividend is stepped up to 2.82... (£2.322p) per 10p share on capital increased by two-for-five rights issue.

Working capital at year-end showed a rise of £3.84m. (£0.27m.) with overdrafts up £71,000 (£0.26m.) and short-term deposits up £4.04m. (£1.97m.).

Future capital spending at September 30 amounted to £2.05m. (£1.03m.) of which £1.86m. (£0.72m.) had been authorised but not contracted.

Of the new £4.7m. capital raised by the rights issue, £1.39m. went on repayment of loan stock. The balance was used to acquire Windsor Safari Park and to provide capital for extensions of existing businesses and further acquisitions as opportunities arise, Mr. Ward Thomas says.

There was strong demand for TV advertising on the group's stations during the year with sales running 30 per cent. up. Television contracting showed a profit of £5.40m. on sales of £59.86m. but television rentals and sales recorded a loss on turnover of £7.45m. Other operations, including interest earned and leisure parks, achieved a profit of £1.0m. on turnover of £...13m.

A major reorganisation and extension of the safari park is taking place during the winter months and the park will be able to take full advantage of the very large local tourist industry in 1978, the chairman reports.

In the north the parks acquired from Don Robinson Holdings—now a wholly owned subsidiary called Trident Leisure—have also been extended, and the directors expect the leisure division to contribute substantially to future results.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Braswell, Finlas Holdings, Rowland Green, William Sommerville, Sterling Credit, Sylvone.

Finals—Howard Machinery.

FUTURE DATES

Interims—	
Ferry Pickering	Apr. 12
Longton Transport	Feb. 2
United Dominions Trust	Feb. –
Vibroplant	Feb. 6
Finals—	
Beaumont Properties	Feb. 2
Evol Holdings	Feb. 9
Inter-European Property	Jan. 31
Lancashire and London Inv. Tst.	Feb. 2?
Thermal Syndicate	Feb. 14
Turner and Newall	Mar. 2
Woodhouse and Rixson	Feb. 22

Trident Films' first full-length feature "The Four Feathers," which received good reviews in the U.S., will be released for cinema distribution in the U.K. early in 1978. In October, 1977, Trident Barber Distributors was formed as a joint venture as part of the group's developing interests in the film industry.

Earlier hopes of a significant profit in Australia did not materialise and trading problems reflected those of the Australian economy. However, the directors are looking to expand rental accounts to a required level of profitability.

Babcock & Wilcox U.S. purchase

Babcock and Wilcox, through its U.S. holding company, Babcock International, has acquired majority control of Holley, Kenney, Schott, of Pittsburgh, Pennsylvania, for a consideration not to exceed $1.2m. (£615,000). The McNally Pittsburgh Manufacturing Corporation retains a minority interest in the company.

HKS is an engineering, contracting and consulting company which serves the coal, steel and mineral industries and its management and resources will be combined with those of Woodall Duckham (USA) a branch of Babcock and Wilcox's process contracting subsidiary Woodall-Duckham.

SE Council to meet on Bonser

The Stock Exchange Council is meeting to-morrow to consider the findings of the investigation into the circumstances surrounding the change of ownership of a block of 250,000 shares in Bonser Engineering last year. It will also be decided whether or not to publish details of the report, which was instigated last spring.

In the meantime, the Stock Exchange is continuing to investigate allegations of share rigging, arising out of possible abuse of the mechanism of "put-throughs"—agreed deals between buyer and seller channelled through a jobber. The deals in question involve around ten different securities.

Vectis Stone set to improve

THE CONSTRUCTION division companies of Vectis Stone Group should have a better first half, says Mr. J. A. K. Collins, the chairman, and with the group having had an improved first quarter he tells members in his annual statement that he will be disappointed if the current year results are not at least as good as 1976-77.

Mr. Collins reports that there are very few civil engineering contracts being placed by local authorities and competition for those available is very keen. The directors are not prepared to reduce margins to trade at a loss and as a result, the work on hand is less than they would wish, he states.

The oil distribution division increased substantially during 1977 and now operates over an extended area. It is anticipated that it will make a material contribution to profits in the current and future years.

As reported on December 20, group pre-tax profit advanced from £344,750 to a record £404,302, on sales of £9.93m. (£6.94m.). The dividend is lifted to 1.484p (1.320p) net.

An inflation supplement shows that the estimated additional cost of sales in relation to stock consumed, amounts to £23,000 for the year.

The estimated value at the year end of assets being depreciated is £1,042,000 (historic value £738,000) and the depreciation charge in the accounts is £150,000, whereas the charge based on the current cost convention is estimated to be £262,000.

Net monetary assets show a loss in purchasing power during the year of some £34,000.

Trevor Humphries

Mr. Peter Macadam, chairman of British-American Tobacco. Full year results are due to be announced on Tuesday.

Bond St. Fabrics outlook

IN THEIR statement with accounts, the directors of Bond Street Fabrics report that all trading divisions, with the exception of Currie Knitwear, have reasonable order books.

In the current year, both the jersey division and the Cumnock knitwear division continue to trade satisfactorily they say, but significant losses are still being incurred by the Currie division, the problems there being much more severe than at first envisaged.

As reported on December 21, pre-tax profit advanced from £273,528 to £441,221 for the year to September 30, 1977, with Currie's Knitwear incurring a loss of £157,000. The dividend is stepped up to 2.0p (1.75p) net.

A statement of source and application of funds shows that working capital increased by £380,010 (£203,970).

During the year, the group's Scottish based yarn dyeing company, Ivy Dyeworks, was destroyed by fire and for economic reasons has been closed.

In April, Mr. J. Dawes, chairman, resigned from the Board, since when no appointment has been made to fill the position.

Deanson off to better start

THE current year has started with better results than 12 months ago at Deanson (Holdings) and in his annual statement Mr. D. M. Dean, the chairman, says that he is hopeful that the full year's trading will show some improvement on 1976-77.

As reported on December 13, pre-tax profits declined from £173,489 to £132,900 for the year to September 30, 1977, on turnover ahead £0.82m. at £3.10m.

Mr. Dean reports that problems in the printing division proved more serious than was anticipated at midway and this coupled with the very competitive nature of the industry, adversely affected *second half results*.

During the year, further substantial sums were spent on the acquisition of new equipment and the directors feel that this type of expenditure is essential to enable the company to keep up to date.

A statement of source and application of funds shows that bank borrowing decreased by £60,282 (£138,552 increase) at the year end.

Meeting, Birmingham, February 20 at noon.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	9½	½-year	250	4-7
Poole (02013 5151)	9½	½-year	500	4
Poole (02013 5151)	9½	½-year	500	5-7
Redbridge (01-478 3020)	9½	½-year	200	5-7
Thurrock (0375 5122)	9½	½-year	300	4
Thurrock (0375 5122)	10	½-year	300	5-7
Wrekin (0952 505051)	7¾	½-year	300	2
Wrekin (0952 505051)	9½	½-year	500	4
Wrekin (0952 505051)	9½	yearly	1,000	4

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 10.2.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	9¼	9¾	10¼	10½	10¾	11	11	11

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

NEWS ANALYSIS

Automated Security locks up new business

BY TERRY GARRETT

When VAB Products declared in 1970 that its trading subsidiaries were insolvent, few could have guessed that Automated Security Holdings—soon to become one of the largest burglar alarm groups in the U.K.—would rise from its ashes.

To-day shareholders in Automated Security (ASH) will meet to decide on whether to implement a rights issue to provide cash for ASH to go ahead with the acquisition of the security division of Brocks Alarms. This will virtually double the number of intruder detection systems under its control to over 40,000.

When that is complete ASH will rival Chubb and AFA in terms of pure security systems which take in everything from a simple burglar alarm to a sophisticated electrical system monitored full-time by ASH. But until the group announced the deal on January 4, ASH was a second-line stock barely known in the Stock Market.

The group's foundations have two footings. One was the quoted VAB Products which was used as a shell, and the other was a small security alarm manufacturer, Modern Automatic Alarms, started by Mr. Dennis Smith, an ex-Chubb man, in 1964.

VAB was a general engineering outfit with interests in curtain rails, plastics and buttons. Throughout the 'sixties it reported more losses than profits and in 1969 the quotation was suspended and was finally cancelled in August 1972.

But financial reorganisation was at hand. A one-time conglomerate high flyer, Heenan Beddow, came in the scene and underwrote a £370,000 rights issue. Perhaps not surprisingly 56.1 per cent. of the issue was left in the hands of the underwriters and Heenan Beddow finished up with control of VAB—a company with £380,000 cash as its sole assets.

The next step was in March 1973 when proposals were drawn up for Modern Automatic Alarms to be absorbed into VAB at a cost of 3¼m. VAB shares. By July of that year Automated Security was born. Mr. Tom Buffett, a Canadian engineer with a Swiss business degree, came in from Heenan to head up the new group which at that time was making profits of only £56,000 a year.

In those early days Modern itself was financially hanging on by its finger tips. Like many small rental operations Modern faced cash flow problems as it expanded its rental base. Also it relied too much on short term debt to finance long term assets.

In its first year of operation under the Automated banner, the group's profits were £56,000—just 4.5 per cent. of turnover. Over the following two years the management worked hard at improving margins. By 1975 turnover was a third higher at £1.7m. and pre-tax profits were nearly £0.25m.—showing a margin of over 14 per cent.

Having established a reasonable level of profit ASH went all out for sales growth and decided to come back to the Stock Market.

In the summer of 1976 Automated was requoted but the shares stuck at around the 10p mark for many months. Only in 1977 did the market begin to latch on to ASH's potential and the shares rose steadily to close 1977 at 43p.

Now news of the Brocks deal has sent the shares even higher over the past month to 58p.

ASH's profits performance has been impressive. In 1976 pre-tax profits climbed to £335,000, a return of 50 per cent. on shareholders' equity, and the estimate for the year just ended of not less than £450,000 in the offer document for Brocks looks on the conservative side.

The integration of Brocks will obviously be a turning point in the company's future. It will double the number of systems to over 40,000 and give plenty of scope to rationalise the branches. Brocks has 19 branches compared with ASH's 14. After the re-organisation, towards which Brocks will pay £150,000, ASH estimates that it will end up with just 22 branches.

Automated's first move will be to reduce Brock's overheads. Both groups have a similar number of systems in operation but Brocks has been working through a third more outlets. Too many of these, in Tom Buffett's opinion, are at the "nursery" stage.

ASH appears to run a much tighter ship all round than Brocks. Apart from the number of branches, ASH also concentrates on supplying a higher proportion of its own manufactured equipment than Brocks, which up to now has tended to buy in its electrical gear.

That, together with a different approach to manning levels and pricing policies, has made all the difference to the fortunes of ASH compared with Brocks' unimpressive record.

It will take time for ASH to digest Brocks and not much is expected from the acquisition in terms of profit in the current year. The following year could be much better, but it could take up to 20 months to get the Brocks side operating at the sort of profit margin that ASH is accustomed to.

The merger with Brocks means that, without any growth from new systems, Automated will immediately become a company capable of producing £1m. pre-tax.

Brasway on target for £200,000

IN LINE with expectations, pre-tax profits of Brasway came to £91,401 for the half-year to October 29, 1977, compared with a loss of £44,430, on turnover of £3.43m. against £7.66m. Tax takes £47,000 (£23,104).

So as to conserve resources there is no interim dividend but there will be as generous a final as possible. Last year there was an interim of 0.5p net per 10p share but no final. The full year loss was £549,000.

Mr. R. A. Swaby, the chairman, says that there is little doubt that the group will achieve the profit target of £200,000 for the full year and is well on the way to a complete recovery.

The scrap processing division is only just covering costs at present but *this time last year it was* incurring losses of a worrying nature. Prices are at the bottom of the spiral and the division can look forward to some reasonable profits.

Export tonnages are increasing monthly and once demand for scrap from abroad improves Brasway will be well placed to take advantage of the market share.

The tube division continues to go from strength to strength and the directors are confident of achieving record production and sales figures from January through to April. The mill is now running at full capacity and an order has been placed for a further mill which should be in operation by September/October of this year. It should make Brasway the most competitive producer of electrically welded tube in the U.K. and possible Europe, says Mr Swaby.

Outlook at Associated Engineering

Shareholders in Associated Engineering were told by Mr. John Ferguson, the chairman, at the AGM that overall, prospects for the current year are for some growth over and above the rate of inflation, particularly in the turbine components and replacement parts division, but much will depend upon the level of demand, the degree of disruption in industry and the country in general, and the economic and monetary policies of the Government. On that basis the directors expect to be able to report a satisfactory increase in profits for the year.

SIMCO MONEY FUNDS

Rates of deposits of £1,000 and upwards for w/e 29.1.78.

7-day Fund	% p.a.
Mon.	6.137
Tues.	6.107
Wed.	6.131
Thur.	6.121
Fri./Sun.	6.106
3-Month Fund	
Wed.	5.625

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Albright and Wilson	Feb. 16	Final 2.289
Anglo-American Secs.	Feb. 9	Sec. int. 1.66
*Associated Fisheries	Feb. 2	Final 1.25
Ault and Wiborg	Mar. 11	Final 11.2
Barrow Hepburn	Mar. 9	Final 2.298 fcst.
*BAT Inds.	Jan. 31	Final 4.725
BTR	Mar. 1	Final 3.25
Ronald Cualcast	Feb. 10	Final 3.783
*Brit. Enkalon	Feb. 21	Final nil
British Vita	Mar. 3	Final 1.95
*Carrington Viyella	Feb. 22	Final 1.3475
Cement Roadstone	Mar. 10	Final 2.6
*Comcl. Bank of Aust.	Feb. 23	Int. 8 cents
Commercial Union	Mar. 1	Final 5.081 fcst.
Corah	Mar. 4	Final 0.7
*Davian	Jan. 31	Int. 1.1875
Dalgety	Feb. 16	Int. 5.2283
Debenture Corpn.	Feb. 17	Final 1.9
Decca	Feb. 8	Int. 3
*Dowty Group	Feb. 7	Int. 1.98
Estates Prop. Inv.	Feb. 23	Int. 0.3
EMI	Mar. 3	Int. 3.41
Fisons	Mar. 8	Final 6.7115
Foreign and Colonial Tst.	Feb. 16	Final 2.05
Gillett Bros. Discount	Feb. 23	Final 8.155
*Hardy and Co. (Furn.)	Feb. 3	Int. nil
Johnson and Firth Brown	Mar. 4	Int 4.683 fcst.
*ICI	Feb. 23	Sec. int. 6.76833
*Imperial Gp.	Feb. 7	Final 3.318
Inveresk	Mar. 9	Fin. 5.2348 fcst.
*Lloyds Bank	Feb. 17	Final 4.422
Marchwiel	Feb. 21	Final 2.15
*Mercantile Inv. Tst.	Mar. 8	Final 0.65
*NatWest Bank	Feb. 24	Final 5.4628
Newarthill	Feb. 23	Int 0.5975
Notts Mfg.	Feb. 14	Final 2.8752
*Plessey	Feb. 2	Sec. int. 2.2
*Prestige	Feb. 1	Final 3.25
Provident Financial	Feb. 21	Sec. int. 4.4230
Ransomes Sims and Jefferies	Feb. 26	Final 5.345
Rentokil	Mar. 1	Final 1.3
River and Merc. Trust	Feb. 17	Final 4.5
Royal Dutch Petroleum	Mar. 10	Final Fls.5.30
Royal Insce.	Mar. 1	Final 5.696
Scot. Utd. Inv.	Feb. 5	Final 1.2
Sedgwick Forbes	Feb. 23	Final 6.00 fcst.
Shell Transpt.	Mar. 10	Final 6.778
Steetley	Mar. 9	Final 3.575
*Sterling Tst.	Feb. 1	Final 3.35
Stanley (R.) Inv. Tst.	Feb. 17	Int. 1.8675
Transport Development	Mar. 10	Final 1.5525
Trust House Forte	Feb. 9	Final 3.8
*Turner and Newall	Mar. 2	Final 5.4387
Unilever	Mar. 1	Final 7.81
Union Corpn.	Mar. 1	Int. divs. due
United Biscuits	Mar. 8	Final 2.6866
*UDT	Feb. 3	Int. due
United Real Prop.	Mar. 2	Int. 1.25
Wagon Finance	Jan. 28	Final 3.75
Woolworth (F. W.)	Mar. 9	Final 3.335

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
Up to 5	8¾	8⅞	9½	10⅛	10¼	10⅜
Over 5, up to 10	9⅞	10	10⅝	10⅝	10⅞	11⅛
Over 10, up to 15	10⅜	10⅝	11	10⅞	11⅛	11½
Over 15, up to 25	10⅞	11⅛	11½	11⅜	11⅝	11⅞
Over 25	11⅛	11⅜	11⅜	11⅝	11⅞	11⅞

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from January 21.

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Rights by way of capitalisation. §§ Minimum tender price. ¶¶ Reintroduced. ‖‖ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. ▪ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel	§ 6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co.	† 6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	7 %
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8½%
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
■ Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
■ Charterhouse Japhet	6½%	Shenley Trust	9½%
C. E. Coates	7½%	Standard Chartered	6½%
Consolidated Credits	7½%	Trade Dev. Bank	6½%
Co-operative Bank	* 6½%	Trustee Savings Bank	6½%
Corinthian Securities	6½%	Twentieth Century Bk.	7½%
Credit Lyonnais	6½%	United Bank of Kuwait	6½%
The Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Duncan Lawrie	6½%	Williams & Glyn's	6½%
Eagil Trust	6½%	Yorkshire Bank	6½%
English Transcont.	8 %		
First London Secs.	8½%		
First Nat. Fin. Corpn.	9 %		
First Nat. Secs. Ltd.	8 %		
■ Antony Gibbs	6½%		
Goode Durrant Trust	7½%		
Greyhound Guaranty	6½%		
Grindlays Bank	‡ 6½%		
■ Guinness Mahon	6½%		
■ Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4¼%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.
‖ 7-day deposits 3½%. Rates for Term Deposits over £1,000 negotiable.

INTERNATIONAL COMPANY NEWS

Strong growth rate at TDK

BY YOKO SHIBATA

TOKYO, Jan. 29.

JAPAN'S TOP manufacturer of ferrite and magnetic tapes, TDK Electronics, has announced a strong set of consolidated business results for the fiscal year ended November 1977.

Consolidated net profits increased handsomely by 23.6 per cent. to Y11.112bn. over the previous year, on sales of Y104.6bn. (up 14.8 per cent.) As a result, net earnings per share went up to Y121.72 from the Y102.56 of the previous year.

Sales of magnetic recording tapes maintained substantial growth (up 31 per cent.), and accounted for one-third of total sales, thanks to a rapidly expanding market for cassette tape decks, car stereo and radio cassette tape recorders.

Another third of TDK's sales were provided by ferrite cores and magnets (these products are used for hi-fi loudspeakers and mini electric motors for cars). Sales of these items grew by 20.7 per cent. Sales of components and memory devices declined by 1.0 per cent., and ceramic capacities segment decreased by 5.1 per cent., reflecting inactive domestic production of colour TV and audio equipment, coupled with stepped-up competition in the semi-conductor industry.

A favourable profit performance by overseas consolidated subsidiaries was another factor contributing to TDK's good results. Overseas sales went up by 25 per cent. over the previous year and accounted for 27.3 per cent. of total turnover.

TDK also announced the results for the parent company only during the same period. Non-consolidated net sales went up by 15 per cent. to Y95.76bn. and non-consolidated net profits jumped up by 34.4 per cent. to Y9.15bn.

TDK's outlook for the current fiscal year is rather gloomy, particularly in the first half. The company, however, expects moderate recovery in the second half.

TDK plans to put further stress on such product lines as magnetic recording tapes of both audio and video application, ferrite magnets and components for VTRs.

Statsföretag loss

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, Jan. 29.

THE PRELIMINARY figures for 1977 released by Statsforetag, the Swedish state holding company, show a loss of Kr.1.58bn. (£165m.) on the consolidated account. A loss of this size was predicted by Mr. Per Skold, the managing director, in November, when the eight-month results were published.

Earnings by the 30-odd companies under the Statsforetag umbrella have slumped by Kr.2.5bn. in three years. The comparable loss last year was Kr.766m. The slide is attributable almost entirely to the decline in the international market for the group's mining, forest product, steel and chemical companies.

Over half the Kr.1.5bn. loss, however, stems from factors which will not be repeated. Thus devaluation of the krona last year cost the group over Kr.300m., while the transfer of its two shipyards to the new state shipbuilding company involved a loss of Kr.250m. More than Kr.200m. has been debited for the writing-off of the ambitious project to establish a new steel mill in northern Sweden and the transfer of the NJA steel works to the new Swedish Steel Company.

Total sales in 1977 were Kr.1bn. (just over £1bn.), against Kr.9.75bn. in the previous year, but the fall is due to changes in group structure, in particular the disposal of the shipyards. Turnover growth in the remaining companies was 6 per cent.

Statsforetag anticipates some growth in sales this year, but this is not expected to induce any improvement in the underlying profit situation, as long as the market for its four major companies remains low.

Degussa dividend

By Guy Hawtin

FRANKFURT, Jan. 29.

DEGUSSA, the Frankfurt-based metals and chemicals concern, appears to have done reasonably well in a year when chemicals profits have been particularly hard hit. While the Supervisory Board is recommending a lower dividend for the 1976-77 business year, West German shareholders can look forward to getting considerably more as a result of the Federal Republic's corporation tax reform.

A statement from Degussa's Supervisory Board said that it was recommending to the April 19 annual meeting a dividend of DM8.50 per DM50 nominal share. This compares with 1975/76's DM9 per share.

However, although the tax on distributed profits has been increased West German shareholders are now allowed to offset this against their personal income-tax. As a result they will be able to collect some DM13.28 per DM50 share.

Money and Exchanges

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

The future trend of U.K. short-term interest rates is becoming more difficult to predict. Market observers were fairly confident that a fall in Bank of England Minimum Lending Rate would occur on January 6, but there has been little enthusiasm to reduce it again over the rest of the month. A signal was given by the authorities on January 12, even though buying rates for three-month Treasury bills had been above the trigger point for a cut in MLR throughout the week.

A fall in MLR looked more likely last week, with buying rates for bills pointing towards a possible cut of ¼ per cent. from Monday onwards. There was still very little pressure, however, and it was even suggested that MLR may have remained at 6½ per cent. without any guidance from the authorities.

A signal that the Bank of England did not wish to see a fall in MLR was given on Thursday, which caused some disappointment in the gilt-edged market, but little reaction in the money market, except to push up the rates for Treasury bills to slightly above the trigger point on MLR.

A mood of caution seems to be permeating the market, and although a further cut in interest rates remains likely, the timing of any move is very much in doubt. The longer term picture is even more of a mystery, although a firming of rates seems to be generally expected later in the year.

The relatively high cost of day-to-day money has not encouraged the market to look for a fall in MLR, and has produced little incentive for the discount houses to carry any more Treasury bills than they need for normal market operations.

The difficulty in making running profits in such conditions is likely to become of much greater importance in future, than over the last year or so when the scope for making capital profits has been so large.

Alexanders Discount and Union Discount both produced record figures last year, thanks to the exceptional conditions for making capital profits as interest rates fell. Alexanders' profit was about eight times higher than the previous year, while Union displayed an almost uncanny ability to hold the right investments at the right time.

The U.S. dollar lost ground against other major currencies for most of last week, although trading was fairly thin. Central banks in Europe, and possibly the U.S. Federal Reserve, intervened to limit the fall. A larger than expected trade surplus for West Germany in December contributed to the dollar's weakness, and the currency was also depressed by expectations of a growing trade deficit in the U.S.

Postponement of publication of the U.S. figures until to-day helped the dollar, since President Carter is expected to make a plea for reduced energy consumption to coincide with the rescheduled announcement, and the trade figures should underline his message.

The dollar's trade-weighted depreciation, on Morgan Guaranty figures, widened to 4.59 per cent. from 4.51 per cent. on the previous Friday, but touched a worse level of 4.89 per cent. on Wednesday.

Sterling improved, finishing at $1.9470-$1.9480 compared with $1.9820-$1.9830 at the end of the previous week. The pound's trade-weighted depreciation, as calculated by the Bank of England, rose to 66.5 from 66.1.

Gold rose $3¼ to $176-$176¾. Investment demand for the krugerrand pushed up the domestic premium over gold content to around 6½ per cent. from 3.83 per cent.

Jan. 27 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	6¼-9	—	—	—	7¼	6-6½	—	—	—
2 days notice	—	—	6¼-6½	—	—	—	—	—	—	—
7 days or 7 days notice	—	6½-6⅝	6½	—	6⅝	7	6½-6⅝	—	—	—
One month	6⅝-6¼	6⅝-6¾	6⅝-6¾	6¾-6⅝	6⅝	6⅝	6	5⅞	6⅛-6	6⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. [illegible]

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

GOLD MARKET

[illegible]

EXCHANGE CROSS-RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FORWARD RATES

[illegible]

CURRENCY RATES

[illegible]

MINING NOTEBOOK

Testing time ahead for platinum price

BY LODESTAR

AS FORESHADOWED here last Monday, South Africa's Rustenburg and Impala soon followed the free market platinum price upwards by hoisting their own quotes from $180 to $205 an ounce, a far cry from the $162 ruling only a month or two back. Meanwhile, on Friday the London "fixing" price reached a new peak for the recent strong forward movement of $220.

Where now? The market is described as "choppy" but tending to consolidate. The main driving force, Japanese demand, has now been added to by buying from America presumably in anticipation of the U.S. adding more of the metal to its strategic stockpile.

But the near-term crunch for the free market is reckoned to be coming along at the beginning of February. It is in the early part of the month that supplies of contract metal flow to Japan from South Africa. If the Japanese nevertheless continue to buy on the open market as they unexpectedly did at the beginning of January then it is considered to be a case of "$250 here we come." And another producer price rise will be in the pipeline. Meanwhile, watch this space.

Beating the drum

The publicity drums are certainly being beaten to hot up the feverish search for extensions of the oil and gas finds off Australia's western coast. Only a fortnight ago I was drawing attention in an article about the still important role of junior exploration companies to a 37-page analysis of the potentialities compiled by stockbrokers Laing and Cruickshank.

Now, braving London's winter weather, a stark contrast to Perth's searing summer heat, Western Australian Minister for Industrial Development, Mines, Fuel and Energy, Mr. Andrew Mensaros, is here heading a mission which was being joined this week-end by a group of down-under businessmen involved in the oil and gas projects.

Also shivering in London are Messrs. Alan Burns and Derek Gascoine of Magnet Metals which, as outlined here on November 21, is one of the junior mining concerns which is pinning its prospecting hopes on Australia's North West Shelf, where the current situation is reckoned to have, they say, "strong similarities to the early stages of exploration of the North Sea."

They are not looking for money. Magnet gets that from its peat operations as explained here before. But know-how is needed and Britain is naturally deemed to be the place for this to be sought. Magnet has U.S. farm-in partners to bear part of the financial burden. And a first well on the main prospect is already in progress.

Interestingly, Magnet is soft-pedalling on its uranium search in which it has Esso as a partner. Mr. Burns says that none of the company's own money is being spent on this venture. Oil and gas are reckoned to be more lucrative targets. Present London price of Magnet is 19p. Spargos, whose chairman Mr. H. David Kennedy provided the nub of the junior exploration case put forward here on January 16, have since improved to 15p.

Uranium "spec"

In October I was writing here about the outburst of Johannesburg speculation in the shares of the Consolidated Gold Fields group company Gold Fields Properties. It was sparked off by rumours about the uranium possibilities of the old closed-down Luipaards Vlei mine. The only market advice that could be offered was to "get out before the bubble bursts." GFP were then 100p in London. They are now 85p, still twice the level that they were at one time last year.

Last week the company continued to be non-committal. In its half-year statement it merely said that examination of the prospects of turning Luipaards' uranium reserves to account was still in progress and that shareholders would be advised as soon as any decision had been made.

It was added that a programme of sampling dumps by auger drillings had started at the other end of the Reef on the East Rand and that work would be continued on the West Rand where Luipaards is situated. It was, however, too early to give any indication of results.

But good rumours die hard. So Johannesburg is still talking avidly about Luipaard's mineable tonnages of uranium and gold-bearing ore. So it is concluded, in the words of that city's Financial Mail, that "for the faithful there is considerable speculative appeal." Thus for holders who did not get out last year there could still be another chance.

Canadian capers

What happened to that Canadian uranium seeker Canuc Mines about which you have written from time to time I am asked. The answer is that it is still looking for extensions of its fin[illegible] adjacent to the big deposits [illegible] Denison Mines under the guid[illegible]ance of that company's Mr. Fr[illegible] Jowsey.

Unfortunately, putting dow[illegible] boreholes costs money. So Canu[illegible] is currently reported to be figu[illegible]ing out the best way of raising fresh funds of around $1.5[illegible] (£0.7m.) in order to continue i[illegible] programme of deep drilling. Another three holes are planned to "probe the large areas [illegible] favourable but untested ground," the company's consulting ge[illegible]logist says. So shareholders mu[illegible] continue to keep their finger[illegible] crossed. Friday's London quo[illegible] was 37p to 45p.

To continue on a cheerful no[illegible] Canadian mining buffs may appr[illegible]ciate the following satirical pr[illegible]dictions for 1978 for which I a[illegible] indebted to the company's live[illegible] weekly the Northern Miner. A[illegible] as yet unnamed potash compan[illegible] is preparing a take-over bid f[illegible] Saskatchewan. A major minin[illegible] concern is lining up a fleet [illegible] heavy duty trucks to move i[illegible] orebody out of Quebec.

Environmentalists will dema[illegible] that the area around Toronto['s] King and Bay Streets be returne[illegible] to its natural state. The Montre[illegible] Stock Exchange will requi[illegible] financial statements for Decemb[illegible] 31, 1980, showing ten years [illegible] steady dividend payments befo[illegible] listing new mining exploratio[illegible] companies.

And, my own favourite, soci[illegible] activists will demand Governme[illegible] funding to relocate norther[illegible] native peoples in the Antarctic [illegible] that they won't be corrupted [illegible] Canadian development. Each pa[illegible]ticipating native will be dropp[illegible] in the middle of his own 1[illegible] square mile patch "to assure th[illegible] he be left alone to suffer in th[illegible] old-fashioned way."

* * *

Remember Tasminex which w[illegible] going to be "as big as Poseidon" and the shares of which had [illegible] brief moment of soaring glory w[illegible] back in 1970? Well, it is not y[illegible] time to paper the parlour wi[illegible] the certificates. The company [illegible] not only still in existence but h[illegible] even established a modest ca[illegible] flow. This comes from a wolfra[illegible] operation in Tasmania.

It may be only a small produc[illegible] at the moment but I hear that th[illegible] Australian offshoot of Canadi[illegible] McIntyre Mines is interested [illegible] acquiring a stake in the proper[illegible] and putting up money for [illegible] further exploration and develo[illegible]ment. This prospect is at lea[illegible] sufficient to put a value of arou[illegible] 28 cents on Tasminex shares [illegible] Melbourne.

INSURANCE

Reinstatement includes inflatio[n]

BY OUR INSURANCE CORRESPONDENT

IN BRITAIN there is no standard form of lease: it is up to the landlord and his prospective tenant and their lawyers to draft and agree the various clauses of the particular contract. Of course, all lawyers have a number of drafting precedents which are frequently used, so that to the layman one lease may look very much like another. But if comparison is made of the insurance clauses in a dozen leases taken at random most probably half a dozen variations will be discovered.

The relative strength of the parties in striking the bargain must have some effect, and it is not always the landlord who is in a position to dictate all the terms, even though he has the freehold and reversionary interest in the property. This point apart, the obligation to insure may be, and often is, set on the landlord but equally may be placed on the tenant. If the obligation is the landlord's, then the cost may be chargeable in whole or in part to the tenant: if the obligation falls on the tenant then the landlord may reserve the choice of insurer. Yet again, the insurance may have to be in individual or, more often, in joint names, to protect under one contract the interests of both parties.

Another variable is the scope of the insurance. Some old leases mention only fire insurance, though modern practice is to list specific perils—damage from impact, aircraft, riot, storm and so on which must be covered in addition to fire. But how many leases get down to detailing the kind of material damage cover that must be bought—full reinstatement or something less?

Ten days ago Mr. Justice Forbes had to adjudicate on a dispute over the scope of the insurance clause in a lease and his judgment in the case of Gleniffer Finance Corporation v. Bamar Wood and Products (reported in The Times, for January 20) is of interest to all concerned with landlord and tenant obligations.

By the relevant clause the lessee convenanted to pay to the lessor in each year a sum "equivalent to the amount which the lessor shall from time to time pay by way of premium for keeping the demised premises . . . insured for the full cost of reinstatement against loss or damage by fire."

The words in dispute before the judge were "the full cost of reinstatement." The lessee argued that the amount of the insurance premium should be based on the reinstatement cost calculated as at the appropriate renewal date.

On the other hand, the lessor said that the insurance must be for a sum which would represent the cost on the date that reinstatement could reasonably be expected to be complete.

The lessor said that there inevitably must be a delay between loss and reinstatement so that even if the loss were sustained immediately after renewal, in the intervening period inflation would cause building costs to continue to rise: for this reason some reasonable assessment of future inflation must be made in fixing the reinstatement sum insured on which premium would be payable.

With the argument put this way, even before the trial, one would not have given very much for the lessee's chance of success, and in the event the judge had little difficulty in finding for the landlords. He emphasised that one must take the worst possible case into account in fixing the reinstatement sum insured because, otherwise, one would be under-insured in an inflationary period.

The judge reviewed the problems that would face the landlord after a property's total destruction—the necessity [illegible] producing plans and drawin[gs] of obtaining town planning pe[r]mission, observing building a[nd] fire regulations, of obtaining [an] industrial development certi[fi]cate, getting competitive tende[rs] from suitable contractors a[nd] then waiting for the chosen co[n]tractor to do the work of re[in]statement.

Taking all these factors in[to] account, he concluded that [the] landlord must cover himself f[or] the full cost of reinstatement [at] a date at least 18 months on fr[om] the time of catastrophe. Ho[w]ever, because the catastrop[he] could occur on the last day [of] the year covered by the annu[al] premium, reinstatement cou[ld] be completed as late as 2½ yea[rs] from the date on which t[he] annual premium was payab[le]. And he ruled that since this lo[ng] delay must be within the co[n]templation of the landlord a[nd] tenant, it was reasonable for t[he] landlord to fix the reinstateme[nt] sum insured accordingly, [in] which event the tenant must p[ay] the premium appropriate to th[at] sum.

Air holidays fund holding £9.45m.

THE AIR Travel Reserve Fu[nd] Agency, set up to protect holida[y]makers against losses arisi[ng] from the collapse of holiday-to[ur] operators, has funds approachi[ng] £9.45m. at March 31, 1977, co[m]pared with just over £1m. at t[he] same date in 1976.

The agency report for the ye[ar] to end-March, says that at th[at] date, the major liabilities plac[ed] on it at its formation in 19[illegible] (after the Court Line holida[y] group collapsed) had large[ly] been paid, with only small li[a]bilities occurring in 1976-77.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETING—
Duple International, Lytham, Lancashire, 12

BOARD MEETINGS—
Final:
Howard Machinery
Interims:
Brasway
Finlas Hldgs.
Gaunt (Rowland)
Sommerville (Wm.)
Sterling Credit
Syltone

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 13pcBds. Red. 4/8/78 6½pc
Associated Fisheries 4½pc
Canadian Pacific 48¾ cts. Non. Cum. Pf. (Stg.) 2pc. Non.Cum. Pf. (Interchangeable Trans.) 4pc. Non.Cum. Pf. Sc.3 4pc
Clarke Nickolls and Coombs 0.9061p (inc. supp. distbn. of 0.0147p o/a yr. ended 31.12.76)
Cooper (Frederick) 0.7p
Davies and Newman 2.43474p
Dow Chemical 30 cts.
Edbro 2.03p
English Card Clothing 1.13p (inc. supp. distbn. of 0.03p o/a yr. ended 31.3.77)
Equity Consort Invest. Tst. 1.98p
Finance for Industry 13pcUnsec.Ln. 1981 6½pc
Inch Kenneth Kajang Rubber 0.66p
Liverpool 13½pc 1981 6¾pc
Mitchell Cotts 2.743750
Mitchell Somers 1.57p
Pegler-Hattersley 3.15p
Petbow 3.076p (inc. supp. distbn. of 0.076p o/a yr. 1976-77)
T.I. Raleigh Inds. Db. 3pc
Tor Invest. Tst. Dbs. 2 2½ and 2¾pc
Tunnel Hldgs. B Ord. 3.4539p (inc. supp. distbn. of 0.1039p o/a yr. 27.3.77)

TO-MORROW

COMPANY MEETINGS—
Brentnall Beard, Shrewsbury, 12.15
ICL, Winchester House, E.C., 12
Sotheby Parke Bernet, Bond Street, W.1, 4
United Spring and Steel, Birmingham, 12

BOARD MEETINGS—
Finals:
Bertrams
B.A.T. Industries
IDC
Intereuropean Property
Interim:
Daejan Hldgs.

DIVIDEND & INTEREST PAYMENTS—
Allebone Lns. 3½ and 3½pc (Conv.)
Alliance Property Db. £4.63561
Alliance Tst. Db. 2¼pc
Allied Polymer Ln. 5pc
Anglo Nordic Shipping Ln. 3¼pc
Aurora 8pcPf. 4pc
Austrian 6pcBds. 79-84 3pc
Beattie (James) 6pcPf. 2.1pc
Bentalls 5½pcPf. 1.925pc
Berger Jenson and Nicholson Ln. 5pc
Bishopsgate Tst. 5pcPf. 1.75pc
Bollington Textile Printers 6pcPf. 2.1pc
Bolton Textile Mills Ln. 2¼pc
Brascan Class A Cnv. 23 cts.
Brentnall Beard 0.746p
British Columbia Elec. Perm. Callable Bds. (Br.) 4½pc. Bds. Ser. Ad Due 1.8.86 (Br.) 2¼pc
British Dredging Ln. 4pc
British Petroleum 8pcPf. 2.8pc. 9pcPf. 3.15pc
Brixton Estate Db. 3pc
Capital and National Tst. 5pcPf. 1.75pc. Dbs. 2¼ and 2½pc
Cardo Eng'g. 1.5188p (inc. supp. distbn. of 0.0208p o/a yr. ended 31.3.77)
Carliol Invest. Tst. 2¼pc
Central Mfg. and Trading Ln. 4pc
Combined English Stores 7¾pcPf. 2.7125pc
Cook and Watts Ln. 4½pc
Country and New Town Props. 3¼pc
Croda Food Ingredients 8pcPf. 2.8pc
Crystalate 8pcPf. 5.6pc
Decca Ln. 3pc
Derby 13½pcBds. Red. 6¾pc
Dixon (Wm.) (Nottingham) 4.55pcPf. 2.275pc
Drayton Commercial Invest. 4pcPf. 1.4pc. Dbs. 1½ 2 2¼ 2¼ and 2½pc
Duple International 0.5940
Duport Dbs. 2¼ and 3pc
Electra Invest. Tst. 1.5p
Elswick-Hopper 0.2p
English and Scottish Investors Dbs. 2½ 2 and 3¼pc
English Electric Db. 2pc
Essex Water 2.45pc (fmly. 3½pc) Perp. Pf. 1.225pc. 3.15pc (fmly. 4½pc) Pf. 80-82 1.575pc. 3.5pc (fmly. 5pc) Pf. 80-81 1.75pc. 4.025pc (fmly. 5¾pc) Pf. 77-79 2.0125pc. 4.025pc (fmly. 5¾pc) Pf. 86-88 2.0125pc. 4.2pc (fmly. 6pc) Pf. 84-86 2.1pc. 3.5pc (fmly. 5pc) Pf. 1.75pc. 3.15pc (fmly. 4½pc) Pf. 73-78 1.575pc. 3.85pc (fmly. 5½pc) Pf. 81-3 1.925pc
Eva Industs. 1.9p
Gale Lister Ln. 5pc
Garnar Scotblair Ln. 4½pc
Gieves Group 5pcPf. and 5pcBPf. 1.75pc
Gillett Discount 3½pcPf. 1.225pc
Glanfield Secs. 7½pcPf. 2.625pc
Glendevon Invest. Tst. Db. 5.5pc
Gomme Hldgs. 7pcPf. 2.7pc
Guildhall Prop. Db. 3¾pc
Hall (Matthew) 1.8339p (inc. supp. distbn. of 0.0733p o/a yr. 1976)
Hambros Invest. Tst. Db. 3½pc
Hartwells Group 1.4641p
Heinz (H. J.) Dbs. 2¼ and 3pc
Hewden-Stuart Plant Ln. 3½pc
House of Fraser 4½pcPf. 1.575pc. 5½pc Pf. 1.925pc. 7½pcPf. 2.625pc. Lns. 3 and 4¼pc
Hunslet (Hldgs.) Db. 3¼pc
International Invest. Tst. Dbs. 2½ and 3¼pc
Investing in Success Equities Db. 2½pc
Jenks and Cattell 5½pcPf. 1.925pc
Johnson and Firth Brown 11.05pcPf. 5.525pc. Ln. £5.83. Ln. 5½pc
Johnson-Richards Tiles 5pcPf. 1.75pc
Kalamazoo Ln. 4¼pc
Kent County 5½pc Red. 74-78 2¾pc
Lake and Elliot 6pcPf. 2.1pc
Leboff (S.) (Fobel) Ln. 4pc
Lennon Brothers 6pcPf. 2.1pc
Lewis (John) Dbs. 4½ and 5pc
Liberty 6pcPf. 2.1pc. Db. 3½pc
Linread Ln. 4pc
London and Lomond Invest. Tst. 4¼pcPf. 1.4875pc. 5¼pcPf. 1.8375pc
M and G High Income Fund Income Units 2.4p
Macallan-Glenlivet 8¾pcPf. 3.0625pc
Macdonald Martin Distillers 5½pcPf. 1.925pc
McKechnie Bros. 6pcPf. 2.1pc
Marley 6½pcPf. 2.275pc. Db. 3¼pc
Mercantile Invest. Tst. Db. 2¼pc
Monk (A.) 1p
Morris (B. O.) 5pcPf. 1.75pc
Nash (J. F.) Secs. 5pcPf. 1.75pc
National Trading Pf. 2¼pc
Normand Electrical Hldgs. 1.0643p
Osborn (Samuel) Db. 3¼pc
Owen Owen 6½pcPf. 2.275pc. Dbs. 3½ and 3½pc. Lns. 3½ and 4pc
Parker Knoll Db. 4½pc
Press (Wm.) Ln. 4pc
Pyke (W. J.) 0.66p
Reed International Db. 2¾pc
Renold Ord. 2.6915p (inc. supp. distbn. of 0.0915p o/a yr. ended 28.3.77)
River Plate and General Invest. Tst. Db. 2¼pc
Sangers Group 1.8p
Schlesinger American Invests. Ptg.Pf. 3p
Scott (James) Engineering 6½pcPf. 2.275pc. 6½pc2ndPf. 2.275pc
Shanks Hldgs. Db. 3¼pc
Smith and Nephew Assoc. 5½pcPf. 1.925pc
Smith Industs. Dbs. 3¼ and 5¼pc. Lns. 3½ and 4pc
Smith (W. H.) and Son (Hldgs.) A Ord. 3.5525p (inc. supp. distbn. o/a yr. to 29.1.77)
Star (Great Britain) Db. 3pc
Tanganyika Concessions 9pcPf. 2.25pc
Tarmac Ln. 4¼pc
Teacher (Distillers) Ln. 3pc
Tecalemit Db. 2½pc
Thorn Electrical Inds. Ln. 2½pc
Tricentrol Ln. 3½pc
Trust Houses Forte Db. 3.75pc
Tyneside Invest. Tst. Ln. 3¼pc
U.D.S. Group Ln. 3¼pc
Ultramar 7pcPfd. 3.5pc
Vaux Brews. Dbs. 3¼ and 3½pc
Warwick Engng. Ln. 5pc
Westbrick Products 0.5p
Western Ground Rents Db. 1¾pc
Whites (Timothy) Ln. 4pc
Wolseley-Hughes 6pcPf. 2.1pc. Dbs. 3½ and 5pc

WEDNESDAY, FEBRUARY 1

COMPANY MEETINGS—
Glenmurray Invest. Trust, 8, Crosby Square, E.C., 3.30
Richards, Aberdeen, 12

BOARD MEETINGS—
Finals:
A.C.E. Machinery
Prestige
Sterling Trust
Interims:
British Dredging
Centreway Securities
Hillards
McKay Securities

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Gas Ann. 11¼pcBds. Red. 15.2.78 £6.1327
Allebone 0.2p
Alliance Invest. Db. 3pc
Allied London Props. Ln. 3pc
Alnwick 12½pcBds. Red. 1/2.78 £6.5200
American Tst. 5pcPf. 1.75pc
Aquascutum and Assoc. 7½pcPtg.Pf. 2.625pc
Atlantic Assets Tst. 5pcPf. 1.75pc
B.B.A. Group 5pcPf. 1.75pc
Beecham Group 8.58p
Birmingham 9¼pcBds. Red. 79-81 4¾pc. 7¼pcBds. Red. 80-82 3½pc
Bixby 12½pcBds. Red. 1/2.78 £6.5200
Border and Southern Stockholders Tst. [illegible]
[illegible]
British Industs. and Gen. Invest. Tst. 5pcPf. 1.75pc
Broadland 12½pcBds. Red. 1/2.78 £6.5200
Bury 12½pcBds. Red. 1/2/78 £6.5200
Calderdale 12½pcBds. Red. 1/2.78 £6.5200
Caledonia Invests. Db. 3pc
Chichester 12½pcBds. Red. 1.2.78 £6.5200
Chilean 6pc (now 3pc) Bds. 1926 (Assd. 1948) 1½pc
Chorley 12½pcBds. Red. 1.2.78 £6.5200
Citicorp Com. 26½ cts.
City Investing Cum.Pf. Series B 50 cts.
City of Aberdeen Land Association Tb. 4pcPf. 1.4pc
Cleveland 12½pcBds. Red. 1.2.78 £6.5200
Colonial Secs. Tst. 5pcPf. 1.75pc
Consolidated Ln. 4pc 2pc
Consolidated 4pc 2pc
Corby 12½pcBds. Red. 1.2.78 £6.5200
Cotswold 12½pcBds. Red. 1.2.78 £6.5200
Dacorum 12½pcBds. Red. 1.2.78 £6.5200
Dalgety 4.85pcPf. 2.425pc
Daniell Brews Db. 2¼pc
Debenhams 6½pcAPf. 2.275pc. 7pcB Pf. 2.45p
Dover Harbour Board 4½pc2ndDb. 2½pc
Drayton Consd. Tst. Db. 2¼pc
Dudley 8½pc Red. 79-81 4¼pc
Dunlop Textiles 6½pcPf. 2.275pc
East Cambridgeshire 12½pcBds. Red. 1/2/78 £6.5200
Edinburgh 12½pcBds. Red. 1.2.78 £6.5200
Edinburgh American Assets Tst. 4½pcPf. 1.575pc. Db. 2½pc (1979)
Electric and General Invest. Dbs. 3½ and 4½pc
Fareham 12½pcBds. Red. 1.2.78 £6.5200
Fenland 12½pcBds. Red. 1.2.78 £6.5200
Fertleman (B.) Sons 0.396p
First Scottish American Tst. 3½pcPf. 1.75pc. Ln. 2½pc
Foreign and Colonial Invest. Tst. Dbs. 2½ and 3½pc
Grant Bros. 7½pcPf. 2.625pc
Great Ouse Water Authority 5¼pc Red. 88-99 2⅝pc
Greek 6pc Stabilisn. and Refugee Stg. Bds. 1928 (Assd. with Accept. Certs.) 3pc
Harrow 12½pcBds. Red. 1.2.78 £6.5200
Hawker Siddeley 5½pcPf. 1.925pc
Hepworth (J.) 6pcPf. 2.1pc. 7pcPf. 2.45pc. 10pcPf. 3.5pc
Hertfordshire 6¾pc Red. 85-87 3⅜pc
Imperial Chemical Inds. 5pcPf. 1.75pc. Lns. 2¾ and 5¾pc
Industrial and General Tst. Db. 2¼pc
Israel Electric Corp. £0.10
Jamaica Public Service Db. 3½pc
Johnson Matthey 6.1106p
Kennards Db. 2pc
Laird Db. 3¾pc
Lanark 12½pcBds. Red. 1.2.78 £6.5300
Law Debenture Corp. 5½pcPf. 1.925pc
Lewis (John) 5pcPf. 1.75pc. 7pcPf. 2.45pc
Lewis (John) Props. Db. 2pc
Lincoln 13pc Red. 1980 6½pc
London Land Prop. Db. 1¾pc
Manchester 1891 3pc 1941 1½pc
Mentmore Manufacturing 0.155925p
Mercantile Invest. Tst. 4pcPf. 1.4pc. 5pc Pf. 1.75pc
Merchants Tst. 4½pcPf. 1.575pc
Metropolitan Police 12½pcBds. Red. 1.2.78 £6.5200
Metropolitan Water Brd New River 5pc Db. 1½pc
Monks Invest. Tst. 0.6p
Newcastle and Gateshead Water 2 and 2½pc (Cons.) 2½pc (80-81) 3 4 and 5pc. Db. £7.07
Newcastle-under-Lyme 12½pcBds. Red. 1.2.78 £6.5200
North Devon 12½pcBds. Red. 1.2.78 £6.5200
North East Lincolnshire Water Board [illegible]
[illegible]
Whitehaven 12½pcBds. Red. £6.5200
Whiteley (R. J.) and W. Db. 3pc
Wigan 12½pcBds. Red. 1.2.78 £6.5200
Winchester 12½pcBds. Red. 1.2.78 £6.5200
Wigan Invest. Org. [illegible]
Youngs Brew 6pcPf. 2.1pc

THURSDAY, FEBRUARY 2

COMPANY MEETINGS—
Akroyd and Smithers, 45-63, Moorgate, E.C., 12.30
Trans-Oceanic Trust, 120, Cheapside, E.C., 10.30

BOARD MEETINGS—
Finals:
Allied Textiles
Associated Fisheries
Beaumont Properties
Hall and Smith
Interims:
Kinta Kellas Rubber Estates
Malaysia Rubber
Steinberg Grp

DIVIDEND & INTEREST PAYMENTS—
Aitken Hldgs. 1.2286p
Associated Leisure 1.3p
Blyvooruitzicht Gold Mining 17.84784p
Bristol Evening Post 2.759p (inc. supp. distbn. of 0.059p o/a yr. ended 31.3.77)
Consolidated Bultfontein Mines 3½ cts.
Dom Holdings 1.0057168p
Elsburg Gold Mining 4.55 cts.
Glenmurray Invest. Tst. 1p (o/a yr. ending 31.10.78)
Great Portland Estates 1p
Grootvlei Proprietary Mines [illegible]
Griqualand West Diamond Mining Dutoitspan Mine 23 cts.
Huntingdon and Peterborough 8½pc Red. 81-83 4¼pc
Norton and Wright 1.311p
Pilkington 2.766p
Randfontein Gold Mining 200 cts.
[illegible] 0.815p
Scotevail 21 cts.
Western Areas Gold Mining 7 cts.

FRIDAY, FEBRUARY 3

COMPANY MEETINGS—
Borthwick (Thomas) 57, Bartholomew Close, E.C., 12
Central Manufacturing and Trading, Birmingham, 12
Vaux Breweries, Sunderland, 12

BOARD MEETINGS—
Finals:
Armour Trust
Glasgow St. Mungo's Trust
Lebus (Harris)
Interims:
Hardy and Co. (Furnishers)
London Transport
Stoddard Hldgs.

DIVIDEND & INTEREST PAYMENTS—
Akroyd and Smithers 11.7538p
Anglo Transvaal Cons. Invest. Ord. and A 1a 70-vuuin. Prg.Pf. 18.294481p
Associated Newspapers 1.852p (inc. supp. distbn. of 0.052p o/a yr. ended 31.3.77)
Aylesbury Vale 9¾pcBds. Red. 9.8.78 4⅞pc
Bell and Sime [illegible]
[illegible] Red. 9.8.78 4⅞pc
Bolsover 10pcBds. Red. 8.8.79 5pc
Borthwick (Thomas) 3.65p
Brent 9¾pcBds. Red. 9.8.78 4⅞pc
Brighton 9¾pcBds. Red. 9.8.78 4⅞pc
British Invest. Tst. 2pc
Brown (Matthew) 2.949p
Broxbourne 12pcBds. Red. 30.7.80 6pc
Clackmannan 9¾pcBds. Red. 9.8.78 4⅞pc
Cleveland 10pcBds. Red. 7.8.79 5pc
Consolidated Murchison 0.882861p
Cope Allman Intl. 1.3361p
County and District Props. 0.4355p
Cynon Valley 9¾pcBds. Red. 9.8.78 4⅞pc
Dennis (J. H.) 1.86p
Dixon (David) 1p
Dunlop Plantations Rubber Estates 0.43p
[illegible]

This week in Parliament

TO-DAY

COMMONS — Debate on employment. Motion on EEC Documents on Excise Duty Harmonisation.

LORDS—Domestic Proceedings and Magistrates' Courts Bill, second reading; State Schemes Premiums (actuarial tables) Regulations, 1977; Foreign Boycotts Bill, second reading.

SELECT COMMITTEES — Expenditure General Sub-Committee. Subject: The Government's Expenditure Plans 1978-79 to 1981-82. Witnesses: The Treasury. 4.15 p.m. (Room 8). Expenditure, Education, Arts and Home Office Sub-Committee. Subject: Administration of the Prison Service. Witnesses: National Association of Probation Officers. 4.15 p.m. (Room 13).

TO-MORROW

COMMONS — Scotland Bill; committee stage.

LORDS — European Patent Organisation (Immunities and Privileges) Order 1977; International Rubber Study Group (Immunities and Privileges) Order 1978; Theft Bill, committee; Industrial and Provident Societies Bill, second reading. Participation Agreements Bill, second reading.

SELECT COMMITTEE — Nationalised Industries, Sub-Committee A. Subject: National Freight Corporation Report and Accounts. Witnesses: National Freight Corporation. 4 p.m. (Room 8).

WEDNESDAY

COMMONS — Scotland Bill, completion of committee stage. Motion relating to the Community Drivers' Hours Rules (Temporary Modifications) Regulations.

LORDS—Debate on alternative energy sources

SELECT COMMITTEES — Science and Technology. General Purposes Sub-Committee. Subject: Durability and efficiency of electric light sources. Witnesses: Department of Industry 10.30 a.m. (Room 16). Nationalised Industries Sub-Committee B. Subject: Electricity Council Report and Accounts. Witnesses: Electricity Council 10.45 a.m. (Room 8). Expenditure, Social Services and Employment Sub-Committee. Subject: Employment and Training. Witnesses: Manpower Services Commission 4.30 p.m. (Room 15).

THURSDAY

COMMONS—European Assembly Elections Bill, committee stage.

LORDS—Gunbarrel Proof Bill, third reading; Medical Bill, third reading. Judicature (Northern Ireland) Bill, committee stage.

FRIDAY

COMMONS—Private Members' Bills.

Businessmen to hear Howe

SIR GEOFFREY HOWE, Shadow Chancellor of the Exchequer, is to be the chief speaker at the annual conference of the Conservative Party's Small Business Bureau. The conference is to be held on March 1 in Caxton Hall, London.

Other speakers will include Mr. Reg Prentice, the former Labour Minister who is now a Conservative MP, Mr. John Nott, the Conservative trade spokesman, and Mr. Tom King, the party's spokesman.

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Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Feb. 5—9	International Spring Fair	Nat. Exbn. Centre, B'ham,
Feb. 8—10	Microsystems '78 Exbn. & Conference	West Centre Hotel, S.W.6
Feb. 12—14	Swimming Pool & Allied Trades Exbn.	Metropole Centre, Brighton
Feb. 14—16	National Office Reprographic Exbn.	Wembley Conf. Centre
Feb. 14—16	Licensed Hotel Catering Exbn.	Metropole Centre, Brighton
Feb. 15—16	EIA Engineering Exhibition	Portsmouth
Feb. 19—23	International Knitwear Fair	Earl's Court
Feb. 19—23	Int. Men's & Boys' Wear Exbn.	Earl's Court
Feb. 20—23	Spring Floorcoverings Exhibition	Metropole Centre, Brighton
Feb. 20—24	Furniture Production Exhibition	Nat Exbn. Centre, B'ham.
Feb. 21—23	British Growers Look Ahead Exbn. and Conf.	Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Feb. 4—7	Knitting Industries Exhibition	Paris
Feb. 4—7	European Men's Wear Show	Paris
Feb. 6—10	British Trade Fair	Abidjan
Feb. 7—11	Engineering & Industrial Equipment Exbn.	Dublin
Feb. 11—15	Int. Confectionery, Chocolate, Biscuit Exbn.	Paris
Feb. 13—17	Israel Fashion Week	Tel Aviv
Feb. 13—18	Int. Machine Tool & Foundry Exbn.	Johannesburg
Feb. 14—18	Business and Micro-Graphic Equipment Exbn.	Tokyo
Feb. 19—21	International Hardware Fair	Cologne
Feb. 21—24	Offshore South-East Asia Show	Singapore
Feb. 26—Mar. 2	International Spring Fair	Frankfurt
Feb. 26—Mar. 4	Middle East Transport Exbn. and Conf.	Dubai
Feb. 28—Mar. 3	Int. Tunnelling Industries Exbn. & Conf.	Basle

BUSINESS AND MANAGEMENT CONFERENCES

Jan. 31	British Council of Productivity Associations: Unfair Dismissal	Metropole Hotel, W.2
Feb. 1	Department of Industry: Bulk Materials Handling	Runcorn, Cheshire
Feb. 1	Hogg Robinson (Pensions Management): Contracted Out Occupational Pension Schemes—revised administration and pay role procedures	Royal Festival Hall, S.W.1
Feb. 2	Berndtson Int./ORC (U.K.): Management—Pay—Productivity	Cavendish Centre, W.1
Feb. 2	Chart Analysis: Investing in Commodities	Int. Press Centre, E.C.4
Feb. 6	Coventry Management Training Centre: Strikes & Industrial Action	Kenilworth
Feb. 6	Business Perspectives: China and Britain—The Prospect for Trade	Royal Lancaster Hotel, W.2
Feb. 6—10	Urwick: Management in Research & Development	Slough
Feb. 7—8	Executant: Producer Risk Appraisal	Russell Hotel, W.C.1
Feb. 6—9	Imperial College: Management Science in Distribution	Exhibition Road, S.W.7
Feb. 8—10	London Chamber of Commerce and Industry: Social Service and Infrastructural Developments in Oil Rich States	Farnham Castle
Feb. 13—17	Kepner-Tregoe: Decision Making for Senior Management	Bath
Feb. 13—17	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
Feb. 14	Society for Long Range Planning: Self-Denial To-day for Prosperity To-morrow—Crisis of Choice	15, Belgrave Sq., S.W.1
Feb. 15—16	Oyez IBC: International Tendering	Inter-Continental Hotel, W.1
Feb. 15—16	Management Training Consultants: The Skills of Interviewing	Leicester
Feb. 18	Building Materials Export Group: Expanding Export Markets for the U.K. Construction Industry	Cavendish Centre, W.1
Feb. 17	Inbucon. The Practical Implications of the Consumer Credit Act	Hilton Hotel, W.1
Feb. 21	Henley Centre for Forecasting: The Future of the U.K. Property Markets	Bowater Cinema, S.W.1
Feb. 22	Institute of Personnel Management: Employment Law in 1978	Manchester
Feb. 22—23	Financial Times: Business with Spain	Madrid
Feb. 23—24	European Study Conferences: EEC Competition Law	Royal Lancaster Hotel, W.2
Feb. 24	Thames Polytechnic: Business Trends in France	Dartford
Feb. 26—Mar. 2	British Transport Staff College: Finance & Accounting for Management	Woking
Feb. 27—28	Financial Times, The Banker, Investors Chronicle: World Banking in 1978	Grosvenor House, W.1
Feb. 27—Mar 1	AMR International: Creating Business Growth in Europe	Royal Westminster Hotel, S.W.1
Feb. 28	Institute of Directors Annual Convention—The State & the Individual	Royal Albert Hall, S.W.7
Mar. 2	McGraw-Hill: Corporate Fraud	Royal Garden Hotel, W.8

Yards to consider vessels stockpile

By Ian Hargreaves, Shipping Correspondent

BRITISH SHIPBUILDERS is to consider building offshore patrol vessels for stock as part of its strategy to dominate a sector of the naval market estimated to be worth up to £1bn. in the next ten years.

A review of this market by an industry team led by Sir John Rix, chairman of Vosper Thornycroft, the South Coast warship builder, is virtually complete. The report is Sir John's final contribution to British Shipbuilders. He will leave the Corporation on Wednesday to return to the private sector.

The report, which gives an exhaustive account of future market opportunities and an assessment of competitors, will not be published but will be considered initially by the British Shipbuilders Board and then by the Department of Industry and Ministry of Defence.

Its objective is to provide the Corporation's warship builders with a springboard for gaining supremacy in a field where there is tough competition from Italy, France, Germany and Holland.

Borrowing

There is not likely to be much argument about the fact that the market for patrol vessels will be stimulated both by changes in international fishing limits and increasing offshore activity associated with the oil industry.

But it would still be a big step for British Shipbuilders to build a stock of such vessels on the strength of this analysis. Such a policy would almost certainly have to be financed by ordinary commercial borrowing.

The decision is likely to be influenced by what are said to be imminent announcements by Mexico and Argentina of their requirements for offshore patrol craft.

One contender for these orders is the Island-class vessel built by Hall Russell of Aberdeen. Vickers is also active in South America on a possible [illegible] order for corvettes from Ecuador. Vosper Thornycroft should even be able to announce completion of a [illegible] contract to supply fast patrol boats to Kuwait.

OVERSEAS MARKETS

EUROBONDS BY MARY CAMPBELL

Borrowing outside the battered dollar sector

THE faint-hearted rally in the dollar sector last week served, if anything, to underline the weakness of this sector almost more than the previous periods of sharply falling prices.

No one really expects President Carter in his speech to-day to dispel the uncertainty surrounding the dollar, while in any case the assumption is that U.S dollar interest rates must rise further this year—either to protect the dollar or as a result of higher economic activity in the U.S.

Dealing activity remained at a low ebb and the firmer undertone was not based on any development of retail demand for bonds.

The only good news was that the worst in the primary sector seemed to have passed.

In New York, Euratom postponed its proposed Yankee bond issue and the European Coal and Steel Community's straight Eurodollar bond was hardly a triumph. Indeed, if it were not for the standards set by the other recent issues and the fact that its middle eastern flavour and small size meant that it was not widely traded in the European secondary market, it would probably have caused an outcry. The opening quotations were a half point on the bid side, below the selling group discount.

On the other hand its 99 pricing combined with the improvement in market condition since it was launched went some way to compensate for the low coupon. And the other recent issues have picked up from their lowest levels.

Question

Perhaps the most encouraging point for the battered dollar sector was that after the ECSC closed there were no straight issues on offer at all. But insofar as there is no sign of improvement, this poses the question of where borrowers are to turn for money in the foreseeable future.

Many borrowers are highly liquid at present and the hiatus in the dollar sector is not therefore likely to cause hardship (except to banks specialising in U.S. dollar bond issue management) unless it lasts for a considerable period. The basic choice facing those who have to borrow long term funds at present is whether to opt for currency risk or for interest rate risk.

The good response to the Long Term Credit Bank of Japan's FRN—and indeed the FRN secondary market in recent weeks—suggests that a wide number of borrowers would be able to tap this sector. If they cannot attract investors, then the banks would probably subscribe.

The alternative is to go for one of the "strong" currencies, running the risk that their performance on the foreign exchange markets in the past will be extrapolated into the future. In contrast to the dollar, international borrowers cannot, in the case of other currencies, in general match their liability with an asset in the same currency.

The three currencies where funds will be able to be raised in large volumes for the forseeable future are D-marks, Swiss francs and Yen. In addition to these, borrowers can expect spasmodically to raise modest amounts in guilders, sterling, units of account, and some middle eastern currencies.

In the Swiss franc and D-Mark sectors, issues and private placements (in the case of Switzerland, mostly private placements) can be raised to the tune of an aggregate $500m.—$1bn. equivalent each month.

The constant fear in the D-Mark sector is that if the currency situation changes, those who have bought the very large volumes of stock issued in recent months could all try to sell simultaneously, pushing prices down several points in a very short period.

In the long-term interests of maintaining new issue possibilities even when the currency situation changes, lead managers have been trying to prevent yields falling too fast. Such efforts are inevitably limited by the fact that a borrower can shift to another bank from which he thinks he can get better terms.

Indigestion

Last week, there were signs of indigestion in the secondary market. Although issues continued to trade well up—in some cases even above—their offering prices, in general the prices of recent issues fell slightly over the week as a whole.

In the Swiss franc sector, there is no sign of any let-up in investor demand. Recent issues are quoted well up to 5 per cent. above issue price. The coupon level for prime quality borrowers was shaved last week by another quarter of a point—to 4 per cent. —by the announcement of the Norwegian State guaranteed issue for den Norske Industribank.

As for the year, where yield levels are still falling from the current 6½-7 per cent. level, the calendar has already been set well into the spring and issues are being planned at a rate of between $200m.-$300m. equivalent each month. This is a notable record for a market which was embryonic only a year ago.

The other currency which may be able to contribute significantly, for those borrowers who can spend money in the U.K., is sterling. Although the secondary market has still to give its stamp of approval to the two current issues, all reports last week suggested that both the EIB and the Rowntree Mackintosh were going well.

The problem lies in discerning retail investor demand in sufficient size to support a significant market over a period of time. Perhaps it is still too early to expect the idea to have caught on—one dealer on Friday said that investors were particularly worried about the secondary market backing for sterling isues.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡ECSC	30	1985	7	8½	99	KIC, Hill Samuel	8.57
†Long Term Credit Bank of Japan	60	1983	5	6¼	100	First Boston, Crédit Lyonnais	6.48
D-MARKS							
Argentina	100	1985	7	6½	*	Deutsche	*
TVO (g'teed Finland)	80	1988	8	6	*	WestLB	*
**Estel	50	1985	6	6¼	100¼	Deutsche	6.16
**Finland	50	1983	5	5¾	*	Dresdner	*
Banque Nationale d'Algérie	100	1983	5	7¼	*	Dresdner	*
SWISS FRANCS							
Asian Dev. Bank	80	1993	n.a.	4¼	99½	UBS	4.30
den Norske Industribank	100	1993	n.a.	4	*	Swiss Bank Corp.	*
STERLING							
‡EIB	25	1988	7.96	9¾	100	S. G. Warburg	9.25
Rowntree Mackintosh	15	1988	8.10	10½	*	Schroder Wagg	*
AUSTRALIAN DOLLARS							
Citicorp	15	1983/8	¶	10½	*	First Boston, BNP, KIC	*
LUXEMBOURG FRANCS							
Kredietcorp	500	1986	n.a.	8	100½	Kredietbank Lux.	7.94

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

Indices

NEW YORK—DOW JONES

	Jan. 27	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	764.12	763.54	772.44	771.57	770.70	776.94	999.75 (3/1/77)	763.54 (26/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.87	88.55	88.53	88.54	88.56	88.56	93.87 (7/9)	88.35 (26/1/78)	—	—
Transport	208.71	208.58	211.46	210.28	210.51	210.86	246.64 (18/6)	199.60 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.84	105.14	105.58	105.75	106.25	106.77	118.67 (22/2)	104.84 (27/1/78)	163.32 (20/4/69)	10.58 (22/4/42)
Trading vol 000's †	17,600	18,600	18,890	16,690	18,580	7,550	—	—	—	—

* Basis of index changed from August 24

Ind. div. yield %	Jan. 20	Jan. 13	Jan. 6	Year ago (approx.)
	5.93	5.95	5.80	4.27

STANDARD AND POORS

	Jan. 27	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	97.51	97.47	98.56	98.25	98.20	98.64	118.92 (3/1/77)	97.47 (26/1/78)	134.64 (11/1/73)	3.52 (30/6/32)
‡Composite	88.58	88.58	89.39	89.25	89.24	89.88	107.00 (3/1/77)	88.58 (26/1/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 25	Jan. 18	Jan. 11	Year ago (approx.)
Ind. div. yield %	5.22	5.13	5.18	3.87
Ind. P/E Ratio	[illegible]	[illegible]	8.65	11.07
Long Govt. Bond yield	8.20	8.17	8.91	8.13

N.Y.S.E. ALL COMMON

Jan. 27	Jan. 26	Jan. 25	Jan. 24	1977/78 High	1977/78 Low
48.06	48.07	48.47	48.40	57.07 (3/1/77)	48.06 (27/1/78)

Rises and Falls

	Jan. 27	Jan. 26	Jan. 25
Issues traded	1,778	1,805	1,816
Rises	567	444	744
Falls	725	908	584
Unchanged	486	453	488
New Highs	12	8	18
New Lows	78	74	59

MONTREAL

	Jan. 27	Jan. 26	Jan. 25	Jan. 24	1977-78 High	1977-78 Low
Industrial	165.47	165.91	165.02	165.86	166.47 (17/6)	156.02 (25/10)
Combined	171.18	171.54	172.76	173.91	187.96 (19/1/77)	165.98 (25/10)

TORONTO	Jan. 27	Jan. 26	Jan. 25	Jan. 24	High	Low
Composite	1000.2	1004.5	1010.0	1010.8	1067.4 (19/7)	961.0 (28/10)

JOHANNESBURG	Jan. 27	Jan. 26	Jan. 25	Jan. 24	High	Low
Gold	—	215.7	216.0	216.4	216.4 (24/1/78)	153.4 (24/5)
Industrials	—	212.2	212.7	212.6	214.4 (4/1/78)	169.1 (22/4)

	Jan. 27	Previous	1977-78 High	1977-78 Low
Australia (†)	465.86	466.18	479.48 (6/1/78)	412.50 (16/2)
Belgium (‡)	91.77	91.82	99.12 (10/1/77)	90.43 (12/1/78)
Denmark (**)	96.08	96.30	107.32 (9/6)	95.54 (28/11)
France (††)	50.1	49.9	58.4 (1/1/77)	43.6 (10/6)
Germany (‡‡)	802.4	804.6	815.3 (17/11)	712.5 (10/3)
Holland (§§)	90.5	90.5	95.2 (4/5)	75.8 (29/9)
Hong Kong (§§)	405.65	402.27	425.17 (11/5)	383.44 (13/1/78)
Italy (‖‖)	57.90	58.51	73.11 (6/1/77)	54.90 (22/12)
Japan (a)	356.17	375.67	390.93 (29/9)	350.49 (24/11)
Singapore (b)	266.43	269.70	265.02 [illegible]	242.26 [illegible]
Spain (d)	96.61	98.59	100.00 (30/12)	94.56 (25/1/78)
Sweden (e)	353.99	356.04	416.63 (22/3)	336.62 (24/11)
Switzerl'd (f)	309.4	310.2	318.5 (14/10)	290.0 (3/3)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (†) Sydney All Ord. (‡) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (§§) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Close. (d) Madrid SE 30/12/77—high and low for 1978 only. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—74½% (75¼%)
Effective rate (at $1.9475)—30¼% (32%)

NEW YORK

1977-78 High	1977-78 Low	Stock	Jan. 27
56½	39	Abbott Labs	51
70¾	46¾	Corning Glass	46⅞
84⅞	42¼	CPC Int'n'tional	42⅞
58⅛	27¾	Johns Manville	28⅝
77¼	62½	Johnson Johnson	69⅝
50⅝	21½	Johnson Control	27
45⅞	36⅛	Revlon	40⅞
44⅝	28½	Reynolds Metals	29⅝
70⅜	52½	Reynolds R. J.	52½
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

1977-78 High	1977-78 Low	Stock	Jan. 27
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY

Jan. 27	Price Dm.	+ or —	Div. %	Yld. %
AEG	91.5	+0.1	—	—
Allianz Versich.	491	+0.5	18	1.8
BMW	226.5	+1.5	20	4.4
BASF	140.5	−0.2	17	6.0
Bayer	137.8	......	16	5.8
Bayer. Hypo	290	−2	20	3.4
Bayer. Vereinsbk	314	......	20	3.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOHANNESBURG

MINES

January 27	Rand	+ or —
Anglo American Corpn.	5.18	−0.05
Charter Consolidated	3.30	
East Driefontein	13.33	+0.35
Elsburg	2.87	+0.10
Harmony	7.63	+0.20
Kinross	6.55	+0.15
Kloof	8.35	+0.15
Rustenburg Platinum	1.73	
[illegible]	[illegible]	[illegible]

INDUSTRIALS

[illegible]	[illegible]	[illegible]

Securities Rand U.S.$0.77½

AUSTRALIA

Jan. 27	Aust. $	+ or —
ACMIL (25 cents)	†0.78	......
Acrow Australia	†0.84	+0.02
Allied Mnfg-Trdg. Indus $1	†2.27	+0.02
Ampol Exploration	†1.28	−0.01
Ampol Petroleum	†0.77	......
Assoc. Minerals	†0.80	......
[illegible]	[illegible]	[illegible]

PARIS

Jan. 27	Price Frs.	+ or —	Div. Frs.	Yld. %
Rente 4½	788.1	+2.1	[illegible]	[illegible]
Afrique Occid't'le	300.8	+2.5	[illegible]	[illegible]
Air Liquide	241.1	+1.1	[illegible]	[illegible]
Aquitaine	512	−5	[illegible]	[illegible]
BIC	490	......	[illegible]	[illegible]
Bouygues	555	+1	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

Jan. 27	Price %	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMSTERDAM

Jan. 27	Price Fls.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

Jan. 27	Prices Yen	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo.

BRAZIL

Jan. 27	Price Cruz	+ or —	Div.	Yld.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Rio de Janeiro SE.

OSLO

Jan. 27	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPENHAGEN ♦

Jan. 27	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND ●

Jan. 27	Price Frs.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPAIN ●

Jan. 27	Per cent.	+ or —
[illegible]	[illegible]	[illegible]

STOCKHOLM

Jan. 27	Price Kronor	+ or —	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEL AVIV

Company	Price Jan. 27	+ or —
[illegible]	[illegible]	[illegible]

BRUSSELS/LUXEMBOURG

Jan. 27	Price Frs.	+ or —	Div. Frs. Net	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

Jan. 27	Price Lire	+ or —	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

G. Index Limited 01-351 3466. Three month Lead 314½-318½
4 Lamont Road, London SW10 0HS.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU Tel.: 01-283 1101
Index Guide as at 24th January, 1978 (Base 100 at 14.1.77.)
Clive Fixed Interest Capital 135.06
Clive Fixed Interest Income 124.73

CORAL INDEX: Close 475-480

INSURANCE BASE RATES

† Property Growth 8½%
Cannon Assurance 4½%
† Vanbrugh Guaranteed 6½%
† Address shown under Insurance and Property Bond Table.

FINANCIAL TIMES STOCK INDICES

	Jan. 27	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	A year ago
Government Secs.	76.19	76.37	76.79	76.67	77.00	77.23	66.64
Fixed Interest	80.28	80.47	80.66	80.70	80.85	80.92	65.90
Industrial Ordinary	477.5	475.6	483.2	483.4	486.5	487.6	403.2
Gold Mines	165.0	153.7	161.0	159.9	155.2	147.8	97.7
Ord. Div. Yield	5.61	5.64	5.57	5.57	5.54	5.53	5.60
Earnings Yld.% (full)*	17.10	17.19	16.97	16.96	16.90	16.84	17.31
P/E Ratio (net) (*)	8.29	8.25	8.38	8.34	8.39	8.42	8.29
Dealings marked	5,134	6,012	6,285	6,182	5,404	5,224	8,860
Equity turnover £m	—	85.84	83.31	85.67	56.03	88.01	109.78
Equity bargains total	—	14,551	14,265	16,525	14,779	16,004	22,192

10 a.m. 472.3 11 a.m. 472.9 Noon 474.8 1 p.m. 475.7
2 p.m. 476.2 3 p.m. 475.9
Latest Index 01-246 8026
* Based on 52 per cent corporation tax. † Nil=5.29.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS — S.E. ACTIVITY

	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.86	60.45	127.4	49.18
Fixed Int.	81.27	60.49	150.4	50.53
Ind. Ord.	549.2	357.6	549.2	49.4
Gold Mines	174.5	93.1	442.3	43.5

	Jan. 27	Jan. 26
—Daily— Gilt Edged	169.0	192.9
Industries	175.9	210.4
Speculative	56.1	55.3
Totals	116.2	136.8
—5-day Average— Gilt Edged	195.8	198.6
Industries	197.5	196.9
Speculative	55.7	57.0
Totals	131.7	132.3

FINANCIAL TIMES STOCK INDICES

	Jan. 27	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	A Year ago
Industrial Group	204.15	205.19	207.59	207.59	208.63	208.64	156.85
500 Shares	224.47	225.57	227.32	228.19	229.56	229.58	181.79
[illegible]	5.48	5.45	5.41	5.38	5.35	5.35	5.81
P/E Ratio (net)	8.48	8.55	8.63	8.62	8.72	8.72	9.44
[illegible]	208.21	209.35	211.77	212.34	213.59	213.91	169.10

HONG KONG

SINGAPORE

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 31¼% (based on US$1.9520 per £)

Conversion factor 0.7589 (0.7528)

CANADIANS

[illegible]

S.E. List Premium 31¼% (based on $2.1616 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

Apr. Sept.	Lunuva £1	175	377	3.63	1.0	3.1

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

—	Burma Mines 17½p	9	575	—	—	—
—	Colby Mines $C1	73	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	270	3.1	Q30c	♦	‡
—	Northgate C$1	265	375	—	—	—
Jan. June	R.T.Z.	179	31.10	t8.5	q3.1	7.2
—	Sabina Inds. C$1	42	—	—	—	—
—	Tara Exptn. $1	800	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	17.10	1.21	2.5	4.1
October	Yukon Cons. C$1	127	15.9	Q7c	♦	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 23

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	19	......
Bdg'wtr. Est. 50p	285	......
Clover Croft	22	......
Craig & Rose £1	400	+10
Dyson (R.A.)	35	......
Ellis & McHdy	68	......
Evans Fr'k. 10p	58	−1
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	20½	......
Graig Ship £1	240	......
Higsons Brew	83xc	......
I.O.M. Stm. £1	144	+2
Holt (Jos.) 25p	245	......
N'tim Goldsmith	63	+1
Pearce (C. H.)	135	......
Peel Mills	17	......
Sheffield Brick	47	......
Sheff. Refrshmt.	58	......
Shiloh Spinn	19	......
Sindall (Wm.)	85	......

IRISH

Conv. 9% '80/82	£97¼	−⅛
Alliance Gas	70	......
Arnott	325	+5
Carroll (P.J.)	103	......
Clondalkin	87	+1
Concrete Prods.	125xd	+4
Helton (Hldgs.)	51	......
Ins. Corp.	175	......
Irish Ropes	110	......
Jacob	64	......
Sunbeam	23	−4
T M G	178	−7
Unidare	70	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	10
Barclays Bank	25
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	13
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	12
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	23
House of Fraser	12
I.C.I.	23
"Imps"	7
I.C.I.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	11
Midland Bank	25
N.E.I.	20
Nat. West Bank	22
Do. Warrants	10
P & O Dfd.	10
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	14
Spillers	4
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intreuropean	4
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	35
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

FINANCIAL TIMES
Monday January 30 1978

Labour's fate may be staked on devolution

BY RUPERT CORNWELL, LOBBY STAFF

MR. JAMES CALLAGHAN may have to put the Government's future openly at stake if he is to achieve his intention of overturning the key amendments inserted by anti-devolutionists in the Scotland Bill last week.

This became clear yesterday as Scottish Nationalist MPs demanded an early meeting with Mr. John Smith, the Devolution Minister, to insist that if necessary the Government make deletion of the provision stipulating 40 per cent. approval by the Scottish electorate an issue of confidence, to bring the Labour rebels to heel.

Although SNP leaders were declaring their readiness to listen to compromise proposals, such as lowering the threshold figure, they are threatening to vote against the entire Bill at the Third Reading stage if it still contains a "loaded" referendum clause.

European Court

A further sign of Nationalist fury came yesterday when Mr. Hamish Watt, SNP Chief Whip at Westminster, warned that he would be ready to go to the European Court of Justice to get rid of what both his party and the Government see as a blatantly undemocratic proviso.

For all the accumulating problems of the Bill, Ministers at the week-end were still professing confidence that they could remove at least the 40 per cent. amendment when it comes up in the Report Stage of the Bill.

They are pinning their hopes on two factors: the two-or-three-week gap likely between the conclusion of committee proceedings this week in the Commons, and the Report stage during which they trust feelings will cool, and the fact that officially the Tories dislike the insertion of a minimum "Yes" vote figure.

Meanwhile, Mrs. Judith Hart, Overseas Development Minister and MP for Lanark served notice of the Government's views at the week-end when she attacked the dissidents as "mischievous and ridiculous," adding that "there will be a chance for good sense to prevail."

Perhaps fortunately, both Government and SNP are less worried by the second obstacle, giving the Orkney and Shetland Islands the right to opt out of devolution. This was voted by a huge majority of 86, and to try to change it would put severe pressure on the Liberals, forcing them to choose between the pact with the Government and loyalty to their former leader, Mr. Jo Grimond, whose amendment it is.

As Ministers consider in detail how to restore the legislation, their task will be complicated by demands from Labour in Scotland for a second referendum question on independence, designed to cut the ground from under the SNP. But this is likely to be resisted by the Prime Minister when he meets a delegation from the party's Scottish Council to-day.

Delaying tactic

The two final committee days on the Bill, to-morrow and Wednesday may centre on discussion of Tory-backed amendment to set up a Speaker's conference on the number of Scottish MPs at Westminster, assuming of course it is selected for debate.

This is regarded by the Government as a mere delaying tactic aimed at sabotaging the legislation. But the Opposition Devolution spokesman, Mr. Francis Pym, said yesterday that devolution's central defect was that MPs for Scottish seats would be able to speak and vote on legislation and executive decisions affecting England but not Scotland. ...

It would not be right to try and deal with this in a short debate. "All parties should get together to consider calmly and constructively how best to deal with an almost impossible problem arising entirely from the type of devolution contained in the Scotland Bill," he stated.

Government to urge industrial strategy plans on companies

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT will launch a major communications exercise during the coming months to try to persuade individual companies to adapt their corporate plans in line with reports prepared within the Government's industrial strategy.

Ministers will also try to persuade union leaders and employees to co-operate in the productivity improvements envisaged, even though in some cases the reports forecast a reduction in the number of people employed in various parts of manufacturing industry.

That will be done by stressing the benefits in terms of an improved rate of economic growth, which in turn could lead to more job opportunities in service industries.

They are the main tasks for the third year of the Government's industrial strategy which will be launched at a meeting of the National Economic Development Council on Wednesday

The Prime Minister will be chairman at the meeting which may be told of some new industrial aid schemes to be launched soon by the Government in areas including the micro-electronics industry.

CBI leaders will stress that they support the Government's proposed communications exercise, but will add that, as their latest policy document shows, they are not prepared to go any further towards formalised planning discussions and agreements.

That policy document will be presented to the meeting and will be countered by one from the TUC which will be critical of the lack of formal company-level planning that the Government has achieved.

Because it does not want those opposing views to upset its general industrial strategy work, the Government has decided to soft-pedal on formal planning and to concentrate instead on communications with all levels of companies from top management down to shop-floor workers.

The communications exercise will be specially directed at about half of the industrial strategy's 40 sector working party areas which have drawn up future market share objectives and opportunities.

They include areas such as mining machinery which believes it should be able to double its exports in the next two years, wool textiles which is also finalising ambitious plans, and the paper and board industries.

It is forecasts such as those that led Mr. Denis Healey, Chancellor of the Exchequer, to predict last Friday a £2.5bn. improvement on the country's balance of payments by 1980.

But the reports underline that there will also be a reduction of several thousand jobs in sectors such as machine tools, knitwear, textile machinery, electrical engineering and rubber processing. At the same time some sectors are suffering from shortages of skilled engineering labour.

Manufacturing sectors' performance: Page 4

THE LEX COLUMN

The simple option on gains tax

Opinion within the Inland Revenue seems to have come down against the introduction of any system of indexation or tapering for capital gains, contrary to whatever hopes of equitable reform may have been raised by the Minister of State to the Treasury, Mr. Denzil Davies, during last year's Finance Bill debate. It seems that the Inland Revenue policymakers are not satisfied that either indexation or tapering could be introduced without breaching the criteria Mr. Davies set for reform—simplicity and the avoidance of significant administrative problems for both the Inland Revenue and the ordinary citizen.

Quite the contrary in fact. The capital gains tax is already one of the most expensive taxes to collect—on average £3 out of every £100 collected goes on administration and collection costs—while its yield has declined to only about 1 per cent. of the total tax take. And according to some Revenue estimates indexation of the system would probably push the collection cost up to between 15 and 20 per cent. of the yield, which itself might decline to around 25 per cent. of present levels.

But these calculations only go to show how much the capital gains tax has got out of line with reality. Since it has never been a serious revenue earner there are very strong arguments for making the tax as fair as possible, almost regardless of cost.

The third possibility for relieving part of the CGT burden which was outlined in the Inland Revenue's discussion paper on this subject last October was the small gains exemption where, for example, there would be not CGT charge if net aggregate gains in a tax year did not exceed £1,000. This was the Inland Revenue's own suggestion for reforming capital gains tax and it is easy to see why. It is extremely simple to implement and it would have the very considerable advantage that something like half the existing number of CGT assessments—representing upwards of 150,000 taxpayers—would fall outside its net. Mr. Healey should be receiving the Inland Revenue's recommendations within the next week.

Bank capital

Last week's rights issue from Midland Bank has reawakened the debate over the capital adequacy of banks. The FT bank sector index, which had touched its 1977-78 peak last Monday, ended the week 8½ per cent. lower and concern over the banks' capital ratios is once again undermining investor sentiment.

The subject has been overlooked for some months now and it seems that the authorities' thinking on the subject has not developed much beyond that outlined in the Bank of England's September, 1975, Quarterly Bulletin. No hard and fast ratios have been laid down and there is little indication that the Bank has any intention of doing so. However, there are signs that the big four clearing banks are now moving closer into line.

Midland's capital ratios had already improved last year and the rights issue will give it a ratio of free equity to deposits of just under 2 per cent. This compares with Laing and Cruickshank's end-1977 estimates of 2.1 per cent. for both Barclays and Lloyds and 1.6 per cent. for NatWest. In terms of total free capital Midland, helped by its heavy inroads into the Eurobond market, can now boast a free capital ratio of over 4.0 per cent. which is almost certainly above average. By comparison Lloyds, Barclays and NatWest ended 1976 with free capital ratios of 3.5 per cent., 2.8 per cent and 2.3 per cent., respectively. These will probably have increased slightly in 1977—Barclays and NatWest have raised $100m. and $120m. in the Eurobond market—but are unlikely to top Midland's figure.

With hindsight it is easy to see why Midland came to the market given its below average ratios at the end of 1976. But it is difficult to draw conclusions about the financing needs of the other banks, partly because Lloyds and Barclays do not disclose the deferred tax element in their balance-sheets. A year ago Midland, for instance, had deferred tax reserves amounting to over 1 per cent. of deposits, and the Bank of England takes this into account.

Barclays has long been rumoured as a possible rights issue candidate principally because it did not raise money in 1975-76 like the others. However, its end-1976 free equity ratio looked reasonably healthy and the appreciation of sterling will have taken the strain off its foreign currency balance sheet. In common with Lloyds it could easily boost its free capital ratio by raising more Eurobond debt so there is clearly not the same urgency for new equity as there was with Midland.

On paper NatWest now looks to have the weakest balance sheet of the Big Four—this partly reflects its above average capital spending on projects such as the NatWest tower and Coutts head office. But NatWest had a £66m. rights issue only 18 months ago and is unlikely to return so soon for funds. It does not have any particularly valuable trade investment that it can sell off but it does have a lot of property.

C Y Tung

On January 9 in this column it was stated that ships of C Y Tung's Island Navigation Corp. had been chartered to Japan Lines and Sanko Steamship. We have now been informed that neither C Y Tung nor Island Navigation Corp. have any ships under charter to these two companies.

Owen attacks Smith internal initiative

BY OUR FOREIGN STAFF

DR. DAVID OWEN, the Foreign Secretary, and Mr. Andy Young, the U.S. Ambassador to the United Nations, sharply criticised the Rhodesian internal settlement initiative before leaving Heathrow Airport last night for talks in Malta with the Patriotic Front nationalist alliance.

The initiative by Mr. Ian Smith, the Rhodesian Premier, "would only cause more fighting" and lacked "the crucial elements for a peaceful settlement," according to Dr. Owen. The only solution, was the Anglo-American peace plan.

Mr. Young said: "Smith's proposals don't provide any of our safeguards. They are more likely to escalate violence and they do not provide a solution which is acceptable to Western Governments."

Martin Dickson writes from Malta: In the talks here Dr. Owen and Mr. Young will be trying to move the Patriotic Front leaders towards acceptance of the Anglo-American settlement proposals. There is widespread pessimism about their chances of success, though.

The Patriotic Front, which is excluded from the Salisbury internal settlement talks, has already rejected some of the main elements of the Anglo-U.S. plan, seems unlikely to give much ground now

Arriving in Malta last night, Mr. Mugabe said that if there were no changes in the Anglo-American proposals it would mean that "the British are not prepared to bring about change in the country."

He and Mr. Joshua Nkomo had come to find out whether the British were "with Smith or against him." This question would have to be answered in Malta.

Tony Hawkins writes from Salisbury: Internal settlement talks between the Smith Government and three black nationalist groups aimed at bringing majority rule to Rhodesia will resume to-day as planned according to the Government.

But a spokesman for Bishop Abel Muzorewa said that the United African National Council delegation he leads would not attend unless the bishop received an apology for the "abusive language" used at Friday's meeting by a member of the Rhodesian Government team.

The talks appeared on the brink of success when the bishop walked out on Friday.

Some explanations of the walkout suggest that it was less than spontaneous and not simply a matter of damaged dignity

One has it that the bishop was telephoned by a Foreign Office official who urged him not to rush into any deal until he had seen what came out of the Malta talks between Patriotic Front leaders, Mr. Joshua Nkomo and Mr. Robert Mugabe, and the British and U.S. Governments.

A second interpretation is that Bishop Muzorewa feels that his internal rival, the Rev. Ndabaningi Sithole, did his political image no harm by publicly haggling about the time limit on white safeguards and so has taken a leaf from his book.

More important is the suggestion that the bishop is serious about changing what had apparently already been agreed.

This was that the 28 white MPs would be elected by way of separate voters' rolls. The bishop is now saying that this was contingent upon there being only 20 white MPs and that, as he has agreed to an increase in their number, he is now entitled to demand a change in voting procedures.

He wants a system of primary elections for white voters only. Under this procedure, if the white candidate won at least 66 per cent. of the votes in the white primary he would be elected to Parliament, but if he secured less than 66 per cent. he would have to fight a run-off ballot on the Common Roll.

EEC plans to restrict refinery expansion

By Ray Dafter, Energy Correspondent

THE European Commission is working on a package of measures which could restrict oil refinery expansion in the EEC and impose penalties against companies or countries which ignore the guidelines.

A working document on refinery policies is now being discussed in Brussels and by member Governments of the Community. The proposals are expected to be presented to Energy Ministers at their meeting on March 21.

In a bid to overcome severe over-capacity in the European refinery industry, the Commission is again likely to recommend the closure of some old or inefficient plants.

It is also believed to be considering imposing penalties on countries or companies which do not adhere to EEC guidelines on refinery usage. Such a penalty might be imposed through restrictions on investment assistance.

Furthermore, the Commission is thought to be planning the provision of grants towards any redundancies that might result from plant closures and towards projects to upgrade existing refineries.

Earlier this month, Herr Guido Brunner, the Energy Commissioner, told the EEC Parliament in Strasbourg that the Commission would also examine the import pattern of refined products and seek greater transparency on market trends and price calculations.

The Commission failed in two attempts last year to gain support for proposals that would have led to a cut of 16 per cent. in EEC refinery capacity. Such a cut would reduce the utilisation ratio to around 80 per cent. of operating capacity.

A Commission report published last year said the EEC refinery industry could be hampered by some 160m. tonnes a year of excess capacity in 1980. The U.K. oil industry has calculated that, on existing plans, some 80m. tonnes of this excess capacity would be affected by plant closures, suspended operations and modifications.

Representatives of oil unions in the U.K. have told the Government that they are opposed to EEC intervention. Oil companies have also indicated that they would prefer to be left to make their own commercial decisions.

Oil groups oppose cut in North Sea exports, Page 4

Herbert seeks NEB investment cash

BY OUR INDUSTRIAL EDITOR

ALFRED HERBERT, the State-owned machine tool company, will shortly ask the National Enterprise Board to provide funds totalling several million pounds for a new investment programme.

The company was rescued by the Government more than two years ago with a £25m. injection of cash. It is now wholly owned by the NEB, which would finance any investment out of the £275m. funds it is allocated annually by the Government for its various business activities

These include looking after other problem companies, such as British Leyland and Rolls-Royce.

Herbert made a profit of some £436,000 in the first half of last year, after five years of losses. The low demand for machine tools, however means that it cannot generate enough cash to finance the investment programme it believes it needs.

Sir John Buckley, Herbert's chairman, said yesterday: "I'm in favour of stepping up investment before the long-awaited economic upturn comes so that we are ready to compete in world markets."

The company is now having talks with the Enterprise Board on its long-term corporate plan. The NEB, therefore, will soon be assessing the expected request for the investment money against its own general financial criterion.

This was set out by the Government last December and stated that the Board should aim at an overall return on capital employed of between 15 and 20 per cent. by 1981.

Since Herbert was rescued by the Government, after its collapse in the winter of 1974-75 efforts have been made to improve the company's viability against a background of the machine tool industry's general recession.

Steps included a programme of substantial redundancies at its Edgewick plant in Coventry which is too big for the company's needs. Plans were drawn up late last year to cut this plant's 1,760 work force by 25 per cent.

Bank of America likely to drop stake in BCCI

BY MARY CAMPBELL

THE Bank of America may shortly divest itself of its 24 per cent. holding in Bank of Credit and Commerce International, according to the Euromarket Letter which serves the international financial markets.

The Middle East-controlled BCCI has a fast-growing network of branches in the U.K. Bank of America, the world's largest commercial bank, already has cut its stake in BCCI from an original 30 per cent. to 24 per cent. because it declined to take up a rights offer.

"It could now be considering a complete divestment of its remaining holding over a period of time," according to Euromarket Letter.

Bank of America refused on Friday to give details of its plans but has admitted that such a strategy "is not an impossibility."

There is no suggestion that Bank of America regards its holding in BCCI as unprofitable. The bank's changed attitude is attributed chiefly to the fact that it is extensively reappraising its operations in the Middle East. Formerly, it had been relying on BCCI, whose shareholders include prominent Arab businessmen and rulers as its main arm in the Middle East.

The key question is the timing of any divestment plans. BCCI said on Friday that Bank of America had not taken any decision to disassociate itself from BCCI, or to disinvest. It said, however, that the stake would probably be reduced over a period of years as Bank of America failed to take up rights when the capital was increased. It expected a capital increase practically every year.

However, other reports suggest that the possibility has not been ruled out that Bank of America might offer its shares to existing BCCI shareholders or ensure that suitable additional holders were found to take up its shares.

Apart from Bank of America's 24 per cent. stake, the precise ownership of BCCI is not known. The ultimate holding company is BCCI Holdings (Luxembourg). One key shareholder is understood to be the ruler of Abu Dhabi, a Gulf Emirate. Other interests include individuals elsewhere in the United Arab Emirates, as well as Saudi Arabia.

Weather

U.K. TO-DAY

SCATTERED wintry showers and sunny intervals in most areas. Cold.

London, Cent. S., Cent. N. England, Midlands
Some rain or sleet at first. Sunny intervals later; wintry showers. Max. 4C (39F).

S.E., E., N.E. England, E. Anglia
Cloudy, occasional rain or sleet. Bright intervals later. Max. 4C (39F).

Channel Is., S.W. England, Wales
Sunny intervals, scattered wintry showers. Max. 6C (43F).

N.W. England, Lakes, I. of Man, S.W. Scotland, Glasgow
Mainly dry, sunny spells. Max. 4C (39F).

Rest of Britain:
Mainly dry, sunny spells. Max 4C (39F).

Outlook: Mainly dry at first, with rain or snow spreading from W.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Amsrdm.	R	4	39	Madrid	S	7	45
Athens	C	14	57	Manchstr.	R	4	39
Bahrain	S	19	66	Melbourne	R	19	66
Barcelona	S	11	52	Mexico C.	S	19	66
Belfast	F	[illegible]	[illegible]	Milan	Fg	[illegible]	[illegible]
Belgrade	C	9	48	Montreal	Sn	−16	3
Berlin	C	[illegible]	[illegible]	Moscow	F	−6	21
Birmghm	R	[illegible]	[illegible]	Munich	C	2	36
Bristol	R	5	41	Newcastle	R	5	41
Brussels	R	[illegible]	[illegible]	New York	C	−5	23
Budapest	R	6	43	Oslo	Sn	1	34
B. Aires	S	25	77	Paris	C	4	39
Cairo	S	18	64	Perth	S	31	91
Cardiff	C	[illegible]	[illegible]	Prague	R	1	[illegible]
Chicago	S	−15	5	Reykjavik	Sn	−1	30
Cologne	C	6	43	Rio de Jo	S	35	95
Copnhagn.	C	3	37	Rome	F	10	50
Dublin	F	4	39	Singapore	S	29	84
Edinbrgh	C	3	37	Stockholm	C	2	36
Frankfurt	R	5	41	Strasbrg.	C	5	41
Geneva	Sn	1	34	Sydney	R	18	64
Glasgow	C	3	37	Tehran	S	3	37
Helsinki	F	−5	[illegible]	Tel Aviv	S	17	63
H. Kong	C	15	59	Tokyo	S	3	37
Jo'burg	S	26	79	Toronto	S	−16	3
Lisbon	F	13	55	Vienna	R	5	41
London	R	4	39	Warsaw	C	4	39
Luxembrg	Sl	[illegible]	36	Zurich	C	3	37

HOLIDAY RESORTS

Ajaccio	C	11	52	Jersey	C	5	41
Algiers	F	12	54	Las Plms.	F	20	68
Biarritz	C		46	Locarno	S		37
Blackpool	C	3	37	Majorca	S	11	52
Bordeaux	F	4	39	Malaga	S	13	55
Boulogne	R	4	39	Malta	F	16	61
Cape Town	[illegible]	24	75	Nairobi	S	24	75
Corfu	C	15	59	Naples	R	10	50
Dubrovnik	R	11	52	Nice	S	12	54
Faro	F	13	55	Nicosia	S	17	63
Funchal	F	18	64	Oporto	F	10	50
Gibraltar	S	14	57	Rhodes	S	19	66
Guernsey	C	[illegible]	41	Salzburg	Sn		32
Innsbruck	Sn	1	34	Tenerife	C	14	57
Inverness	Sl	1	34	Tunis	F	15	59
I. of Man	C	4	39	Valencia	S	12	54
Istanbul	F	11	52	Venice	C	5	41

S—Sunny. F—Fair. C—Cloudy. Fg—Fog. R—Rain. Sl—Sleet. Sn—Snow.

Barclaycard dispute deadline extended

BY MICHAEL BLANDEN

BARCLAYCARD has been given a new deadline of mid-February to settle its long-running dispute with the Eurocheque international cheque guarantee system.

The argument has arisen over the dual function of Barclaycard as both a credit card within the international Visa system—which includes banks in more than 30 countries issuing cards under the Visa name—and a cheque guarantee card providing support for cheque payments.

At present, Barclaycard is unique in the U.K. in combining these two services. The rival Access card operates only as a credit card, with the individual banks also providing a separate guarantee card to their customers.

The issue could present problems for the Trustee Savings Banks which announced last week that they would be introducing their own Trustcard within the Visa system. It is intended that this will also operate as a guarantee card.

Barclays Bank has been resisting pressure from other members of the Eurocheque scheme for some time. Banks, particularly in West Germany and the Benelux countries, have been pressing the U.K. bank to end the dual function of Barclaycard.

They want Barclays to issue separate cheque guarantee cards to customers, preferably also with a separate Eurocheque chequebook. But the U.K. bank is reluctant to incur the considerable extra expense this would involve, and is opposed to a move which would double the number of pieces of plastic which its customers need to carry.

Barclays was originally given a deadline in October, later extended to the end of the year and now to next month. Constant negotiations have been going on, but there is no sign yet of the disagreement being settled.

The Trustee Savings Banks plan to launch their Trustcard in the autumn, with a target date of November 1. This will be similar to Barclaycard, fulfilling the dual function. Initially, the cheque guarantee function will be confined to the U.K., but the banks intend that the card should in time become part of the Eurocheque system.

The trustee banks already have a separate guarantee card which is itself in the Eurocheque scheme, but they hope to be able to phase this out as the new Trustcard is issued to customers

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